MINISTRY OF FINANCE

Public Accounts of ONTARIO

2005-2006

ANNUAL REPORT
AND
CONSOLIDATED FINANCIAL
STATEMENTS

2007-00351

Ontario

MINISTRY OF FINANCE

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2005-2006

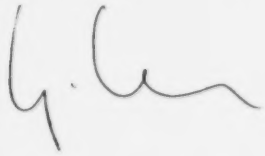
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

To The Honourable
James K. Bartleman
Lieutenant Governor of Ontario

May It Please Your Honour:

The undersigned has the honour to present to Your Honour the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2006, in accordance with the requirements of the Ministry of Treasury and Economics Act.

Respectfully submitted,



The Honourable Greg Sorbara
Minister of Finance
Toronto, August 2006

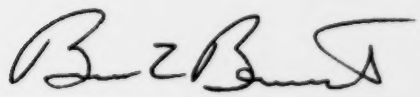
INTRODUCTION

The Public Accounts, which includes this Annual Report and the Consolidated Financial Statements, is a major accountability document of the Province, outlining its financial position and results of operations during the past fiscal year. The Province continues to make improvements in financial reporting and accountability as demonstrated in this Annual Report.

As previously announced, the Province is including school boards, community colleges and hospitals in the Consolidated Financial Statements starting in 2005–06. The government also has improved the timeliness of the Province's financial reporting by advancing the date of tabling this Annual Report and the Consolidated Financial Statements this year.

Producing the Public Accounts of Ontario requires the involvement and co-operation of a large number of staff in ministries, agencies and the Office of the Auditor General. In addition, consolidating the three broader public sector organizations in the Province's Public Accounts for the first time required considerable effort by staff of these organizations and their respective ministries. I would like to take this opportunity to thank them for their very important contribution to the Public Accounts process this year.

We welcome comments on these documents and invite you to send your feedback. You may e-mail us at annualreport@fin.gov.on.ca or write to the Office of the Provincial Controller, Re: Annual Report, Ontario Ministry of Finance, First Floor, Frost Building South, 7 Queen's Park Crescent, Toronto ON M7A 1Y7.



Bruce L. Bennett, CA
Acting Provincial Controller
Ontario Ministry of Finance

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GUIDE TO THE PUBLIC ACCOUNTS

The Public Accounts of the Province of Ontario comprise this Annual Report and three supporting volumes.

Annual Report

The Annual Report includes the Consolidated Financial Statements of the Province of Ontario and a Financial Statement Discussion and Analysis (FSD&A) section that uses narrative and graphs to highlight and explain the numbers in more detail.

The Consolidated Financial Statements are made up of several documents and schedules:

- The Auditor General's Report on the Consolidated Financial Statements expresses the opinion of the Auditor General as to whether the Consolidated Financial Statements fairly report the activities of the government in accordance with Canadian generally accepted accounting principles.

- The Consolidated Statement of Operations reports the annual deficit/surplus from operations in the period. It shows government revenues, the cost of providing services and other ongoing expenses, and the difference between them.

- The Consolidated Statement of Financial Position shows the financial resources of the Province against its obligations. The resulting figure is called net debt. This figure, reduced by non-financial assets (including net assets of broader public sector organizations and tangible capital assets), represents the accumulated deficit.

- The Consolidated Statement of Change in Net Debt shows the combined effect on net debt of the Province's annual deficit/surplus, the net change in the Province's investment in tangible capital assets and the net change in net assets of broader public sector organizations.

- The Consolidated Statement of Cash Flow reports on the change in cash and cash equivalents, to show how the government financed its activities and met its cash requirements over the period.

- Notes and Schedules provide further information and detail on the items in the various statements and form an integral part of the Consolidated Financial Statements. The notes also include a summary of the significant accounting policies that guide the financial statement reporting.

Supporting Volumes

- Volume 1 contains ministry statements, detailed debt and other miscellaneous schedules. The ministry statements reflect the financial activities of the government's ministries on the accrual basis of accounting, providing a comparison of appropriations with actual spending. Ministry expenses in Volume 1 include all expenses that are subject to appropriation approved by the Legislative Assembly but exclude adjustments arising from consolidation of government organizations whose expenses are not appropriated.

- Volume 2 contains the financial statements of significant provincial corporations, boards and commissions that are part of the government's reporting entity, and other miscellaneous financial statements.

- Volume 3 contains detailed schedules of ministry payments.

STATEMENT OF RESPONSIBILITY

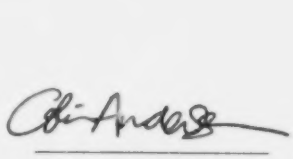
The Consolidated Financial Statements are prepared by the government of Ontario in compliance with legislation, and in accordance with accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA.

The Financial Statement Discussion and Analysis section of this Annual Report is also prepared by the government of Ontario in compliance with legislation and in accordance with the financial reporting principles and practices recommended for governments by PSAB.

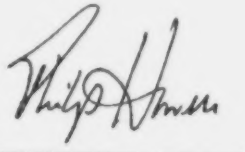
The government accepts responsibility for the objectivity and integrity of these Consolidated Financial Statements and the Financial Statement Discussion and Analysis.

The government is also responsible for maintaining systems of financial management and internal control to provide reasonable assurance that transactions recorded in the Consolidated Financial Statements are within statutory authority, assets are properly safeguarded and reliable financial information is available for preparation of these Consolidated Financial Statements.

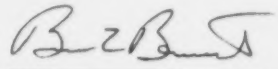
The Consolidated Financial Statements have been audited by the Auditor General of Ontario and his report appears on page 37 of this document.



Colin Andersen
Deputy Minister
August 2, 2006



Philip Howell
Associate Deputy Minister
August 2, 2006



Bruce L. Bennett, CA
Acting Provincial Controller
August 2, 2006

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

2005–06 Financial Highlights

After two years of deficits, from a deficit of $5.5 billion in 2003–04 and $1.6 billion in 2004–05 the Province has recorded a modest surplus of $298 million in 2005–06. This represents an improvement of $3.1 billion from the $2.8 billion deficit projected in the 2005 Budget Plan, a $1.9 billion improvement from the $1.6 billion deficit recorded in 2004–05, and a $1.7 billion improvement from the interim $1.4 billion deficit projected in the 2006 Budget.

2005–06 Financial Highlights ($ Millions)	2005–06 Budget Plan[2]	2005–06 Interim Actual[3]	2005–06 Actual	2004–05 Actual[4]
Revenues	81,687	83,939	84,225	77,841
Expenses Before Consolidation of Broader Public Sector Organizations[1]	83,483	85,276	84,376	79,396
Decrease (Increase) in Net Assets of Broader Public Sector Organizations	–	32	(449)	–
Expenses	83,483	85,308	83,927	79,396
Reserve	1,000	–	–	–
Annual Surplus (Deficit)	(2,796)	(1,369)	**298**	(1,555)
Liabilities			178,305	182,518
Financial Assets			36,377	41,597
Net Debt			141,928	140,921
Net Assets of Broader Public Sector Organizations			16,739	–
Tangible Capital Assets			16,034	15,178
Non-Financial Assets			32,773	15,178
Accumulated Deficit			**109,155**	125,743

1 Broader Public Sector Organizations include hospitals, school boards and colleges. Detailed listings are provided in Schedule 7 of the Consolidated Financial Statements.

2 Amounts reported in 2005 Budget, which exclude the impact of consolidation of broader public sector organizations.

3 Amounts reported in 2006 Budget, which include the impact of consolidation of broader public sector organizations.

4 Amounts reclassified as required to conform to the 2006 presentation.

The improvement of the Province's fiscal position from the 2005 Budget Plan can be primarily attributed to two factors: (1) higher than forecast tax revenues; and

(2) the impact of the consolidation of broader public sector (BPS) organizations. The improvement from the interim was largely due to lower than anticipated spending, including the impact of consolidation of BPS organizations.

2005-06 Revenue Summary

In 2005–06, the Province recorded revenues of $84.2 billion, an amount $2.5 billion higher than that forecast in the 2005 Budget Plan, and $286 million higher than interim. This represents an increase in revenue of $6.4 billion from 2004–05. Of the $2.5 billion difference between actual revenues and those forecast in the 2005 Budget Plan, $2.2 billion can be attributed to higher than projected tax revenues, while $289 million can be attributed to higher than expected income from government business enterprises. (See the REVENUES section on page 9 for a further breakdown of 2005–06 Provincial revenues as compared to projections in the 2005 Budget Plan and the 2004–05 actual.)

2005-06 Expense Summary

In 2005–06, the Province recorded expenses of $83.9 billion, an amount $444 million higher than projected in the 2005 Budget Plan, and $1.4 billion lower than interim. This represents an increase of $4.5 billion from 2004–05, when the Province recorded a deficit of $1.6 billion.

As compared to the 2005 Budget Plan, spending on infrastructure, including Move Ontario, was $2.0 billion higher than expected. This additional spending was partially offset by lower than expected Interest on Debt cost of $777 million, lower health care spending after consolidation of the hospitals sector of $528 million, and lower general government spending of $282 million.

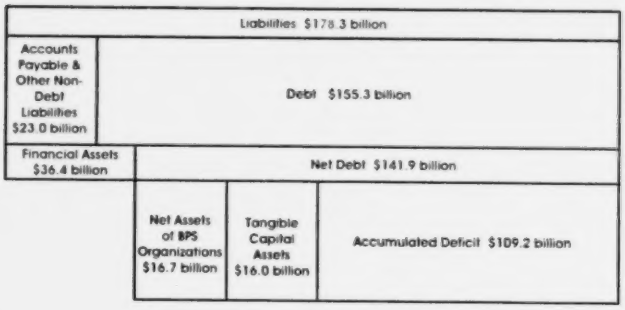
Actual expenses before consolidation of BPS organizations were $900 million lower than interim, while the impact of consolidation of BPS organizations lowered expenses by $481 million compared to the interim estimate of an increase in expense of $32 million.

Additionally, the budgetary reserve of $1.0 billion to protect against unexpected and adverse changes in the economic and fiscal outlook was not required. (See the EXPENSES section on page 13 for a further breakdown of 2005–06 Provincial expenses as compared to projections in the 2005 Budget Plan and the 2004–05 actual.)

Provincial Debt

As of March 31, 2006, total debt for the Province stood at $155.3 billion, down from $156.8 billion a year earlier. This is the first recorded decrease in the debt since the Province adopted the accounting recommendations of the Public Sector Accounting Board (PSAB) in 1993–94.

Financial Position at March 31, 2006


Liabilities $178.3 billion
Accounts Payable & Other Non-Debt Liabilities $23.0 billion
Debt $155.3 billion
Financial Assets $36.4 billion
Net Debt $141.9 billion
Net Assets of BPS Organizations $16.7 billion
Tangible Capital Assets $16.0 billion
Accumulated Deficit $109.2 billion

Net Debt

Net debt increased by $1.0 billion from $140.9 billion at March 31, 2005 to $141.9 billion at March 31, 2006. The increase resulted from higher net investment in tangible capital assets of $856 million and higher net assets of BPS organizations of $449 million, partially offset by the 2005–06 surplus of $298 million.

Accumulated Deficit

The accumulated deficit decreased by $16.5 billion to $109.2 billion at March 31, 2006 from $125.7 billion at March 31, 2005. The decrease resulted from the inclusion of the opening net assets of the BPS organizations of $16.3 billion and the 2005–06 surplus of $298 million.

REVENUES

Revenues Compared to Budget Plan

As noted above, revenues for the 2005–06 fiscal year were $2.5 billion above the level projected in the 2005 Budget plan. This was mainly due to higher than forecast taxation revenues of $2.2 billion and higher net income from government business enterprises of $289 million.

Personal Income Tax revenue was $1.0 billion above the 2005 Budget forecast due to stronger 2005 wages and salaries growth, at 5 per cent compared to the Budget forecast of 4 per cent (see Appendix A for key economic assumptions). Additionally, 2004 tax assessments were $527 million higher than forecast.

Corporations Tax revenue was $736 million above the 2005 Budget forecast, reflecting higher than anticipated revenues from 2004 tax returns.

Other Taxes revenues were $300 million above the 2005 Budget forecast primarily due to a $295 million higher Electricity Payments-in-Lieu of Taxes arising from the combined improved financial performance of Ontario Power Generation Inc. (OPG), Hydro One Inc. (Hydro One) and municipal electric utilities.

Employer Health Tax revenue was $164 million above the 2005 Budget forecast primarily due to stronger 2005 wages and salaries growth than forecast in the Budget and prudence included in the revenue forecast.

Net income from Government Business Enterprises was $289 million above the 2005 Budget forecast, largely due to higher combined net incomes of Hydro One and OPG. This higher than forecast net income was largely the result of increased electricity revenues due to strong demand during the unusually hot summer of 2005. Net income from the Ontario Lottery and Gaming Corporation (OLGC) was also higher than forecast largely due to better than expected results from the commercial casinos, racetrack slot operations and charity casinos. The performance of commercial casinos was boosted by improved marketing programs initiated at the Niagara casinos and better than expected weather conditions during the winter season. The racetracks and charity casinos benefited from a combination of higher revenues and cost savings realized in a number of areas.

Revenues Compared to 2004–05

As noted above, total revenues in 2005–06 were $6.4 billion higher than 2004–05. This reflected a $3.9 billion increase in taxation revenues, a $1.4 billion increase in transfer payments from the Government of Canada, a $730 million increase in income from investment in government business enterprises and a $343 million increase in other non-tax revenues.

Taxation Revenues

Taxation revenues were $3.9 billion higher than 2004–05 primarily due to the following:

- A Personal Income Tax (PIT) revenue increase of $1.7 billion or 9 per cent, reflecting 2005 wages and salaries growth of 5 per cent and a $484 million net increase in adjustments arising from revised prior year revenue estimates;

- A Retail Sales Tax (RST) revenue increase of $699 million or 5 per cent, resulting from continued growth in consumer and business spending subject to sales tax. In 2005, Ontario retail sales grew by 5 per cent;

- An Ontario Health Premium revenue increase of $613 million, reflecting the application of the premium to a full year in 2005–06 compared to nine months in 2004–05;

- An Other Taxes revenue increase of $491 million primarily due to a $440 million higher Electricity Payments-in-Lieu of Taxes revenue. This reflected the combined improved financial performance of OPG, Hydro One and municipal electric utilities;

- An Employer Health Tax revenue increase of $311 million or 8 per cent, primarily due to strong 2005 wages and salaries growth of 5 per cent; and

- A Corporations Tax revenue increase of $101 million or 1 per cent, roughly consistent with flat profit growth.

Government of Canada Transfers

Government of Canada Transfers were $1.4 billion higher than 2004–05 mainly due to the following:

- A combined $1.6 billion increase in the Canada Health Transfer and the Canada Social Transfer; and

- An increase of $272 million in transfers for Early Learning and Child Care funding which began in 2005–06, but will be eliminated after 2006–07 due to the Federal Government's termination of the agreement.

These increases were partially offset by decreases of:

- $191 million in Canada Health and Social Transfer Supplements;

- $193 million related to Medical Equipment Funds; and

- $253 million in Agricorp revenue because of one-time reimbursement for costs Ontario incurred on behalf of the Federal Government in 2004–05 under certain cost sharing programs.

Income From Investment In Government Business Enterprises

Income from Investment in Government Business Enterprises increased by $730 million, mainly due to a $663 million increase in net income from OPG, primarily resulting from reforms included in the Electricity Restructuring Act, 2004. The legislation resulted in stable and predictable prices for electricity provided by OPG. During the unusually hot summer in 2005, OPG also benefited from higher electricity revenues.

Other Non-Tax Revenues

Other Non-Tax revenues were $343 million higher than 2004–05 mainly due to the following:

- An increase of $169 million in revenues from the sale of electricity purchased from non-utility generators. This change resulted from reforms included in the Electricity Restructuring Act, 2004. Under the act, the Ontario Electricity Financial Corporation (OEFC) began receiving actual

contract prices for power from ratepayers, effective January 1, 2005. As a result, OEFC no longer incurs losses on these power purchase contracts;

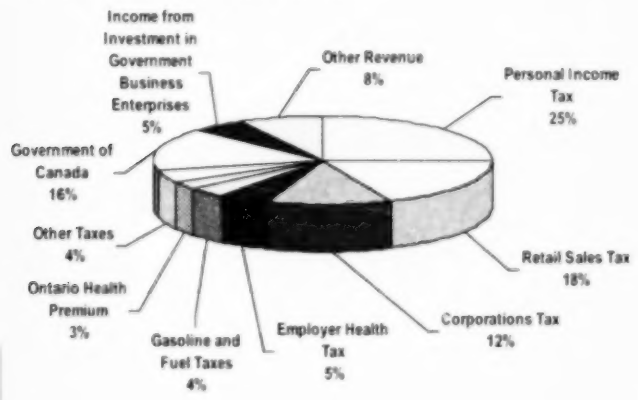
- An increase of $160 million in the revenue from the Net Reduction of Power Purchase Contracts due to a full year implementation of the revised accounting policy on the elimination of the liability for power purchase agreements. The policy went into effect on January 1, 2005;

- An increase of $113 million in Sales and Rentals revenue due to higher revenue from the sale of properties; and

- An increase of $201 million in various Other Non-Tax revenues including Reimbursements, Fees and Licences and Liquor Licence Revenue.

These increases in Other Non-Tax revenues were partially offset by a $213 million decrease in Vehicle and Driver Registration Fees resulting from a refinement in the method of accounting for revenues. Also partially offsetting increases in Other Non-Tax revenues was a decrease of $87 million in Royalties primarily related to the one-time $70 million retroactive reduction in 2005–06 Crown stumpage fees designed to assist the forestry sector.

2005-06 Revenue by Source


Income from Investment in Government Business Enterprises 5%
Other Revenue 8%
Personal Income Tax 25%
Government of Canada 16%
Other Taxes 4%
Ontario Health Premium 3%
Gasoline and Fuel Taxes 4%
Employer Health Tax 5%
Corporations Tax 12%
Retail Sales Tax 18%

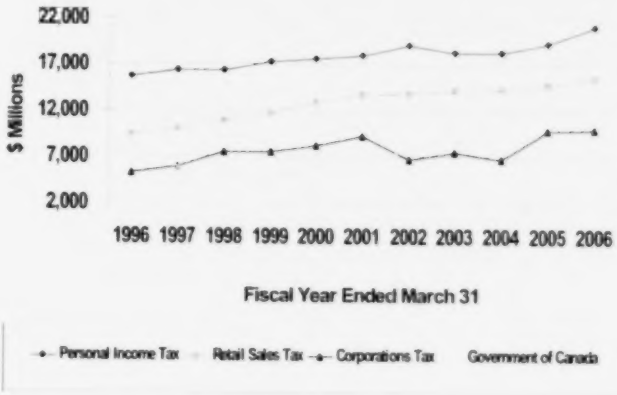
Composition, Trends and Risks

In the past decade, total revenues increased by $34.5 billion or 69 per cent from $49.7 billion in 1995–96 to $84.2 billion in 2005–06. During the same period, nominal gross domestic product (GDP) increased by 63 per cent. The largest source of provincial revenue is taxation, which accounted for 74 per cent of the Province's total revenues on average over the past decade and 71 per cent in 2005–06. About 68 per cent or $23.6 billion of the increase in revenues arose from taxation in the past 10 years.

Taxation revenue is sensitive to economic conditions, changing by $590 million for each percentage point change in nominal GDP growth. The change can vary significantly depending on the composition and source of changes in GDP growth. As shown in the chart on the next page, Corporations Tax revenue fluctuated greatly over the past 10 years from a decrease of 28 per cent in 2001–02

to an increase of 48 per cent in 2004–05. Personal Income Tax (PIT) revenue experienced fewer fluctuations although it increased by 9 per cent in 2005–06 compared to the average annual growth rate of 3 per cent in the last decade. Retail Sales Tax (RST) revenue has been growing steadily, despite a slowdown from 2001–02 to 2003–04. The Province included $1.0 billion in its annual Budget as a reserve against these and other uncertainties. Appendix B outlines major revenue and expense risks and sensitivities facing the Province.

1995-96 to 2005-06 Revenue by Major Source



Taxation revenues increased by 65 per cent in the past decade, while nominal GDP increased by 63 per cent. PIT, RST and Corporations Tax revenues combined accounted for 60 per cent of the Province's total revenues on average over the past 10 years. Their contribution to total revenues decreased to 55 per cent in 2005–06.

Transfers from the Federal Government account for about 16 per cent or $5.4 billion of the increase in total revenues over the past decade. These transfers have become the third major source of revenues, after PIT and RST revenues. They accounted for 12 per cent of total revenues on average in the past decade. Their contribution to total revenues increased to 16 per cent in 2005–06. These transfers are determined by a number of factors, including the fiscal situation at the federal level, funding formulae, and federal policy.

Other ongoing sources of provincial revenue include the income of provincially owned business enterprises, as well as fees, permits, sales and rentals.

EXPENSES

Expenses Compared to Budget Plan

Total 2005–06 expenses were $444 million higher than expected in the 2005 Budget. Transportation spending was $2.0 billion higher than forecast due to the government's in-year decisions to invest in transportation infrastructure including public transit, municipal roads and bridge projects. The higher transportation spending was partially offset by lower than forecast spending in other areas.

- Interest on Debt was $777 million lower due to lower than forecast long-term interest rates and cost-effective debt management.

- General Government spending was $282 million lower than forecast. Of this amount, $158 million represents lower than projected expenses for power purchases resulting from lower than projected output from non-utility generators. The balance represents lower than expected contingency fund spending.

- Health Care spending was $528 million lower than forecast primarily due to the impact of consolidation of the hospitals sector. The 2005 Budget did not include the $459 million impact of consolidating the hospitals sector or any of the other BPS organizations. However, in the 2006 Budget, a consolidation impact of $82 million (increase in expense) was included in 2005–06 interim expenses. This impact was based on preliminary information from the sector, which has since been updated to an actual impact of $459 million (decrease in expense). Compared to interim the impact of consolidating hospitals decreased expenses by $541 million.

    - The total net surplus reported by hospitals in their financial statements was $102 million compared to a forecast net deficit of $86 million.

    - A consolidation adjustment of $274 million (decrease in expense) to account for the capital grants to hospitals on an amortization basis consistent with investments in the Province's own assets. This adjustment was forecasted at $4 million in the 2006 Budget.

    - Other consolidation adjustments of $83 million include adjustments to match the timing of recording operating transfer payments expenses and revenue recorded by the hospitals during the period to avoid double counting of expenses. Information was not available to forecast these consolidation adjustments in the 2006 Budget.

Expenses Compared to 2004–05

Total 2005–06 expenses were $4.5 billion higher than 2004–05, primarily due to the following:

- An Environment, Resources and Economic Development sector spending increase of $2.0 billion;

- A Health Care spending increase of $1.3 billion after consolidation of hospitals;

- A Children's and Social Services spending increase of $837 million; and

- An Education spending increase of $740 million after consolidation of school boards.

These increases were partially offset by an Interest on Debt decrease of $349 million.

Environment, Resources and Economic Development Sector

Environment, Resources and Economic Development sector spending increased by $2.0 billion or 32 per cent in 2005–06. This amount includes:

- A Ministry of Transportation expense increase of $1.6 billion as a result of the following:
  - Move Ontario — $830 million for expansion and modernization of public transit in the Greater Toronto Area (GTA);
  - One-time funding of $400 million for road and bridge repair and upgrading primarily for municipalities outside the GTA;
  - Additional funding of $200 million to the Toronto Transit Commission (TTC) to support the existing subway operations; and
  - Higher gas tax allocation of $114 million to municipalities for new buses and bus refurbishments.
- A Ministry of Municipal Affairs and Housing expense increase of $156 million primarily due to an increase in valuation allowance for outstanding loans;
- A Ministry of Culture expense increase of $131 million including funding for capital projects to support various cultural agencies and attractions, funding to protect Ontario's heritage, to support the libraries sector and the entertainment and creative cluster;
- A Ministry of Economic Development and Trade expense increase of $118 million primarily due to an interest concession provided for a loan to the automotive sector; and
- A Ministry of Research and Innovation expense increase of $107 million due to funding for the Perimeter Institute for Theoretical Physics and the Institute for Quantum Computing.

The above increases were partially offset by a $253 million decrease in Ministry of Agriculture and Food expense mainly due to one-time payments for income support, tobacco farmers, and grain and oilseed farmers in 2004–05. The expiry of time-limited programs such as funding for the bovine spongiform encephalopathy (BSE) crisis also contributed to the decrease.

Health Sector

Health sector expense increased by $1.3 billion in 2005–06 after taking into account the impact of consolidation of hospitals, which decreased expense by $459 million. Health sector expense before consolidation of the hospitals sector increased by $1.7 billion or 5 per cent. This was partially offset by higher net federal health transfers revenues of $1.3 billion. Of the $1.7 billion increase, $1.2 billion or 71 per cent was concentrated in four areas: the operation of hospitals; service providers for health care services covered under the Ontario Health Insurance Plan (OHIP); the Ontario Drug Programs; and long-term care facilities. Between 70 to 90 per cent of the increase in health care spending (before consolidation of hospitals) in each of the last five years was due to increases in these four areas. The remaining increase in 2005–06 health care spending included additional funding for community, mental, emergency and public health programs.

Children and Social Services Sector

Children's and Social Services spending increased by $837 million or 9 per cent in 2005–06 mainly in the following areas:

- A Ministry of Children and Youth Services expense increase of $479 million resulting primarily from investments in Best Start operating and capital transfers (partially offset by $272 million federal 'ransfer for Early Learning and Child Care), which went towards preparing children ready for Grade 1. In addition, the ministry incurred higher expenses for child protection services and children's mental health programs; and

- A Ministry of Community and Social Services expense increase of $358 million including $248 million higher social assistance expense due to increased entitlement costs for recipients and an increase of $71 million in transfers for Development Services.

Education Sector

Elementary and secondary education spending increased by $740 million or 7 per cent in 2005–06, including an increase of $88 million due to consolidation of the school boards sector, a $541 million increase in School Board Operating Grants (SBOG) and a $139 million increase in grants for other education programs. The increase in SBOG funding was for hiring new teachers to reduce class sizes to 20 students for junior kindergarten to Grade 3. The increase in grants for other education programs was mainly to support targeted literacy and numeracy programs under the Student Success initiative.

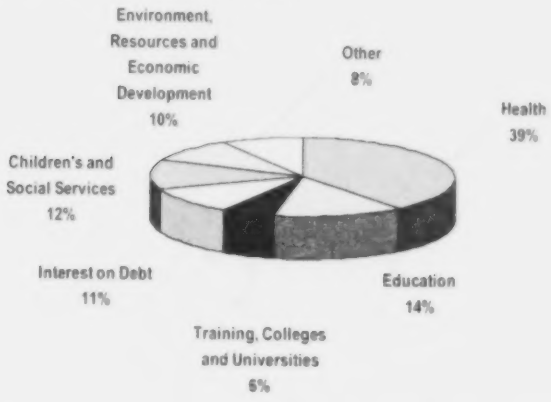
Interest On Debt

Interest on Debt decreased by $349 million or 4 per cent due to lower long-term financing costs and cost-effective debt management.

Composition, Trends and Risks

In the past decade, total expenses increased by 43 per cent or $25.4 billion from $58.5 billion in 1995–96 to $83.9 billion in 2005–06, compared to a 63 per cent growth in nominal gross domestic product (GDP) over the same period. Provincial expense as a percentage of nominal GDP decreased from 18 per cent in 1995–06 to 16 per cent in 2005–06. During this period, the consumer price index (CPI) increased by 23 per cent and Ontario's population grew by 15 per cent.

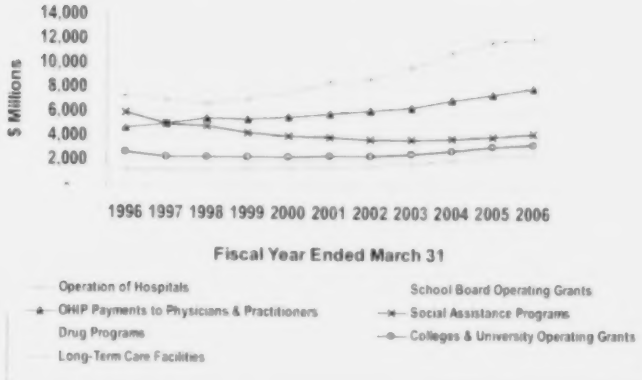
2005-06 Expense by Sector



Transfer payments to individuals and organizations have moved from 69 per cent of government expense in 1995–96 to 75 per cent in 2005–06, accounting for $22.5 billion or 89 per cent of the overall increase. The remainder of the increase was primarily attributable to higher operating costs.

Over 71 per cent of the transfer payments expense or about 53 per cent of total expenses are provided through seven major transfer payment programs in the health care, education and training, and children's and social services sectors. School Board Operating Grants, Long-Term Care Facilities and the Drug Programs have grown more than 130 per cent over the period. Additionally, there was a large increase in School Board Operating Grants in 1998–99 to offset reduction in school board revenues from property taxes.

1995-96 to 2005-06
Major Transfer Payment Programs Expense

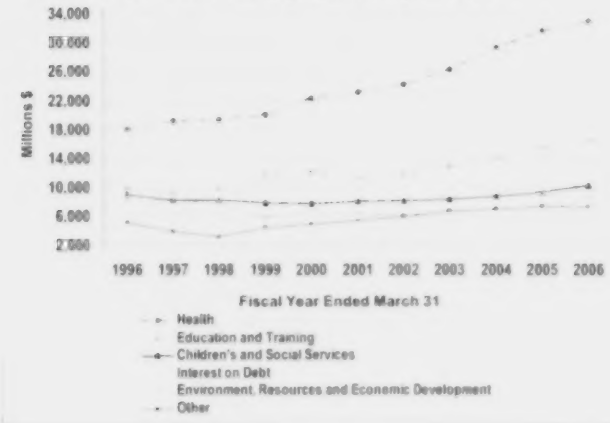


In the last decade, transfer payments for the Operation of Hospitals grew 67 per cent and OHIP payments to physicians and practitioners grew 73 per cent. All major programs were cut back in the mid to late 1990s but have experienced significant

growth in recent years. As many of these are open-ended entitlement programs, they will continue to put pressure on the Province's fiscal plan as the population ages and continues to grow.

As a general rule, transfers to hospitals will need to increase by $147 million for every one per cent increase in hospital net expense. Spending on OHIP payments to physicians and practitioners and hospitals will increase by $118 million for each percentage increase in the salaries of physicians and nurses. School Board Operating Grants will increase by $160 million for each percentage increase in enrolment. They will also increase by an additional $121 million for each percentage increase in the salaries of school staff. Spending on drug programs will increase by $35 million for each percentage increase in utilization. Spending on long-term care facilities will increase by $28 million for each percentage increase in the number of long-term care beds. Spending on social assistance programs will increase by $40 million for each percentage increase in caseload.

1995-96 to 2005-06 Expenses by Sector



As shown in the chart, except for Interest on Debt and the spending in the Environment, Resources and Economic Development sector, which had a slower growth in the past decade, spending in the other sectors experienced significant growth. Spending on health care increased by 83 per cent in the last decade, education and training spending increased by 66 per cent and justice spending increased by 39 per cent. Over the last five years, except for Interest on Debt, which decreased by 17 per cent, all other sectors increased by 28 to 48 per cent.

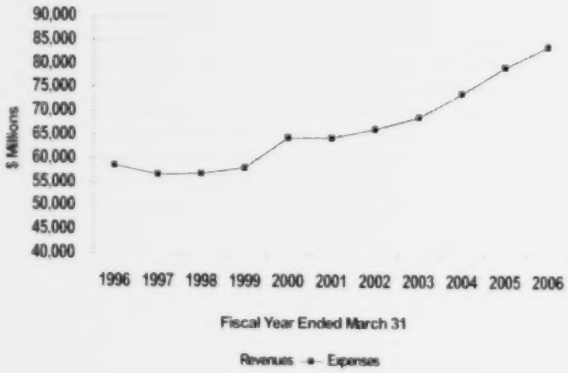
The effective interest rate on the Province's debt declined from 9.36 per cent in 1995–96 to 6.14 per cent in 2005–06. This reduced the share of provincial spending that goes to interest costs from 14 per cent in 1995–96 to 11 per cent in 2005–06. Though the Province's outstanding debt increased by $56.9 billion or 58 per cent over the past decade, the Interest on Debt expense increased by only $544 million due to the decline in the effective interest rate on debt during that period. Going forward, Interest on Debt expense will change by $250 million for each 100 basis point change in borrowing rates.

Additional expense risks and sensitivities analysis is included in Appendix B page 29.

Revenues Compared to Expenses over the Past Decade

The chart below shows how revenues and spending have changed over the past 10 years. Revenues increased by $34.5 billion or 69 per cent while expenses increased by $25.4 billion or 43 per cent. The Province had a deficit of $8.8 billion in 1995–96 and was in a deficit position five out of the last ten years. It is back to a surplus position in 2005–06 after two years of deficits due to a higher growth rate in revenue than expense in the last two years.

1995-96 to 2005-06 Revenues and Expenses



The addition of revenues and expenses from the electricity sector in 1999–2000 resulted in a significant increase in total revenues and expenses in that year.

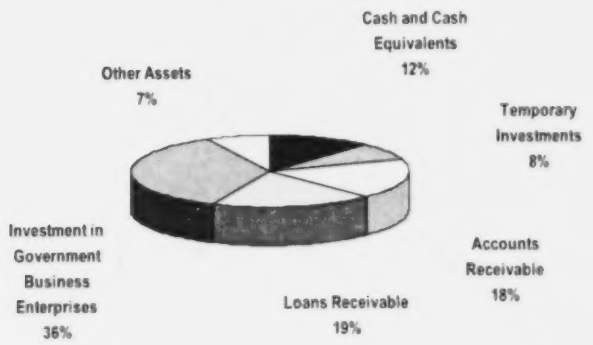
Revenue grew by 14 per cent in 2004–05 and 8 per cent in 2005–06, a higher growth rate than the average annual growth rate of 6 per cent over the past 10 years. The revenue growth rate in the last six years has been closely correlated to the growth in taxation revenues, which reflects the pattern of economic growth over the period.

Expenses in the last three years grew between 6 to 7 per cent per year, compared to the average growth rate of 4 per cent in the past decade, primarily due to increased spending on health care, education and training, and transportation infrastructure.

ASSETS

Financial Assets

Financial Assets by Type at March 31, 2006



Financial assets at March 31, 2006 totaled $36.4 billion, a $5.2 billion or 13 per cent decrease from the previous year's level of $41.6 billion. Financial assets include cash and cash equivalents, temporary investments, accounts and loans receivable, and the Province's investment in government business enterprises such as the Liquor Control Board of Ontario and other assets.

The decrease in Financial Assets can be attributed to the following:

- A decrease in Cash and Cash Equivalents of $5.7 billion mainly due to 2004–05 pre-funding of $5.9 billion for 2005–06 long-term public borrowing requirements to take advantage of low interest rates in 2004–05; and
- A decrease in Temporary Investment of $1.3 billion mainly due to a lower liquid reserve requirement for lower debt maturities.

The decreases were partially offset by:

- An increase in Investment in Government Business Enterprises of $927 million primarily due to higher net assets of Ontario Power Generation Inc. (OPG), Ontario Lottery and Gaming Corporation (OLGC) and Hydro One resulting from higher net income from these enterprises in 2005–06;
- An increase in Loans Receivable of $487 million mainly due to a $489 million increase in loans to municipalities from the Ontario Strategic Infrastructure Financing Authority (OSIFA);
- An increase in Accounts Receivable of $283 million primarily due to a $324 million increase in taxes receivable corresponding to a $3.9 billion increase in taxation revenue in 2005–06; and

- An increase in Other Assets of $115 million primarily due to consolidation of the $785 million Regulated Price Plan (RPP) Variance Account of the Ontario Power Authority (OPA), partially offset by a reduction in investment by OSIFA of $598 million. The RPP came into effect as of April 1, 2005. The RPP Variance Account is explained in more detail in Note 4 of the OPA financial statements[1]. OSIFA reduced its long-term investments as funds were required for loans to municipalities in 2005–06.

Investment in Government Business Enterprises

The Province's investment in government business enterprises (GBEs) was $13.2 billion at March 31, 2006, a net increase of $927 million compared to a balance of $12.2 billion at March 31, 2005. It was increased by a $4.3 billion net income of GBEs and reduced by a $3.4 billion net remittance primarily in the form of dividends to the Province in 2005–06. The majority of income came from four GBEs highlighted in the table below:

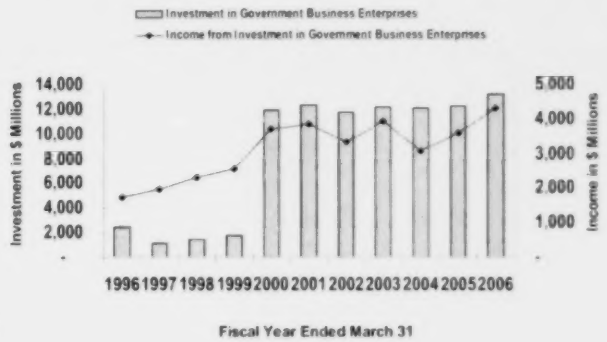
Government Business Enterprises ($ Millions)	Net Investment at March 31, 2005	Net Investment at March 31, 2006	Net Income (Loss)	Remittance
Ontario Power Generation Inc. (OPG)	4,983	5,586	603	–
Hydro One Inc.	4,566	4,709	504	361
Ontario Lottery and Gaming Corporation (OLGC)	1,842	2,044	2,027	1,825
Liquor Control Board of Ontario (LCBO)	286	283	1,197	1,200
Other	566	548	(23)	(5)
Total	12,243	13,170	4,308	3,381

Note: This table includes adjustments to government business enterprises with a year-end other than March 31.

[1] OPA financial statements are included in Volume 2 of the 2005–06 Public Accounts.

OPG generates and sells electricity in the Ontario wholesale market and in the interconnected markets. Hydro One transmits and distributes electricity in Ontario. OLGC conducts lottery games and operates commercial casinos, charity casinos and slot machines at racetracks. LCBO buys and resells alcoholic beverages and also regulates the purchase, sale and distribution of liquor.

1995-96 to 2005-06 Income from and Investment in Government Business Enterprises



The chart shows the amount invested in government business enterprises included in the Consolidated Financial Statements and the income they returned. Investment in and income from government business enterprises increased significantly in 1999–2000 due to the addition of two hydro successor companies OPG and Hydro One.

Net Assets of Broader Public Sector Organizations

For the first time, the Province's Consolidated Financial Statements include the financial results of three broader public sectors (BPS) – hospitals, school boards, and colleges of applied arts and technology.

At April 1, 2005, the net assets of these organizations were $ 16.3 billion. The increase in net assets of these organizations for the year ended March 31, 2006 was $449 million. The change in net assets was due to the addition of the 2005–06 surpluses and deficits of each of the three sectors and the impact of consolidation adjustments.

In calculating the surpluses and deficits of the sectors, adjustments were made to their financial results before including them in the Province's Consolidated Financial Statements to eliminate double-counting and to make sure that they are consistent with the government's accounting practices.

The major consolidation adjustments were made to:

- Account for capital grants to hospitals and colleges on an amortization basis;

- Account for the capital assets of school boards on an amortization basis; and

- Match the timing of recording of operating transfer payments expenses of the government with the recording of these transfer payments as revenues by the sector organizations.

The table below shows the net increase in net assets of BPS organizations:

Net Assets of BPS Organizations ($ Millions)	Increase/(Decrease) in Net Assets of BPS Organizations			
	Hospitals	School Boards	Colleges	Total
Net Assets as at April 1, 2005	7,293	7,428	1,569	16,290
Deficit/(Surplus) as reported by BPS Sector[1]	(102)	(169)[2]	(112)	(383)
Consolidation Adjustments[3]	(357)	257	34	(66)
Impact of BPS Consolidation	(459)	88	(78)	(449)
Net Assets at March 31, 2006	7,752	7,340	1,647	16,739

[1] The deficit (surplus) reported by BPS organizations is based on the same fiscal year as the Province.

[2] Results reported by school boards have been adjusted by $972 million to account for capital expenditures on an amortization basis to be consistent with the Province's accounting policies.

[3] Consolidation adjustments are made to account for capital expenditures on an amortization basis and to eliminate double counting of expenses.

Tangible Capital Assets

Tangible capital assets at March 31, 2006 totaled $16.0 billion, an increase of $856 million compared to $15.2 billion at March 31, 2005.

Tangible Capital Assets ($ Millions)	2005–06	2004–05
Opening balance	15,178	14,628
Net investment during the year[1]	1,671	1,351
Amortization	(815)	(801)
Closing balance	16,034	15,178

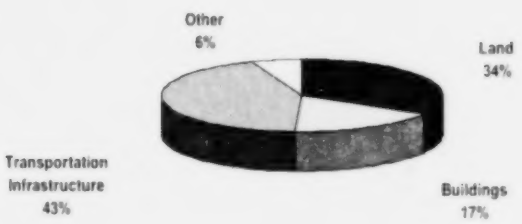
[1] Net investment in 2005–06 included acquisition of tangible capital assets of $1,675 million, gain on sale of tangible capital assets of $41 million, less $45 million proceeds on sale of tangible capital assets.

Tangible capital assets include land, buildings, highways and bridges owned by the Province and all tangible capital assets owned by government organizations (other than Broader Public Sector organizations) that are consolidated in the

Province's Consolidated Financial Statements. The remaining other tangible capital assets owned by the Province such as computers, leased capital assets, equipment, vehicles and furniture, are expensed when purchased. Starting in 2007–08, the costs of these remaining other tangible capital assets will be capitalized and amortized over their useful lives in the Province's Consolidated Financial Statements.

Of the $1.7 billion invested in tangible capital assets in 2005–06, $1.1 billion was invested in the rehabilitation and expansion of highways, bridges and other transportation infrastructure. The remainder was invested in buildings and land.

Composition of Tangible Capital Assets at March 31, 2006



TRANSPORTATION INFRASTRUCTURE includes provincial highways, bridges and related structures and facilities that are in service and/or under construction. A total of 264 highways are in service. This represents 16,524 kilometers of highways or about 39,263 kilometers of highway lanes, and accounts for about 80 per cent of the $6.9 billion net book value of transportation infrastructure. The remaining 20 per cent of the net book value of transportation infrastructure is comprised of the Province's over 2,800 bridges.

LAND includes land acquired for transportation infrastructure, parks, buildings, and other program use and land improvements that have an indefinite life. Land excludes Crown land and is not amortized.

BUILDINGS include more than 3,500 buildings that the Province owned at March 31, 2006. These are used mainly by ministries and agencies delivering government programs. They include office buildings, institutional buildings and owned facilities.

OTHER includes mainly railway equipment, computer equipment and furniture owned by government organizations.

LIABILITIES

Debt

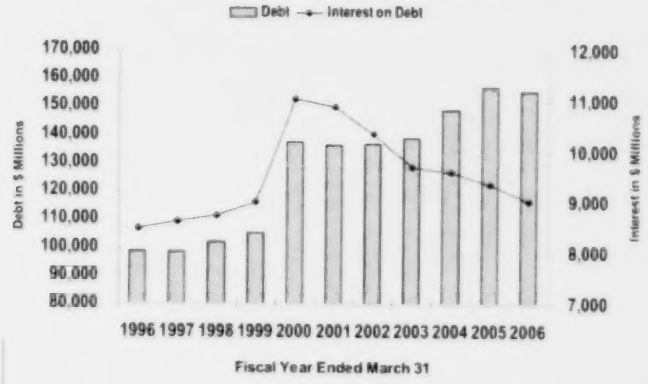
During 2005–06, the Province's total debt decreased by $1.5 billion, resulting from debt retirement of $21.4 billion, partially offset by debt issues of $19.9 billion, including long and short-term public and non-public debt for the Province and those organizations that are consolidated on a line-by-line basis. Debt is comprised of treasury bills, commercial paper, medium and long-term notes, savings bonds, debentures and loans.

Of the total debt issued by the Province in 2005–06, $17.1 billion was long-term public debt of which $14.0 billion or 82 per cent was completed in the Canadian dollar domestic market.

In 2005–06, the Province raised $1.8 billion from Ontario Savings Bonds and $12.2 billion from other domestic bond issues. The remaining debt was issued outside Canada and consists of $1.8 billion from the Global/U.S. dollar market and $1.3 billion from other sources.

The Ontario Financing Authority (OFA) manages the borrowing, debt and cash management activities of the Province and the Ontario Electricity Financial Corporation (OEFC). The OFA's debt management principles include: ensuring cost-effective borrowing; aiming for a smooth maturity profile; and limiting the Province's exposure to currency and interest rate fluctuations. To achieve these goals, the OFA follows prudent debt management policies and uses financial derivatives such as options and swaps. For more information, please refer to Note 1 on "Measurement Uncertainty", page 44 and Note 4 on "Risk Management and Derivative Financial Instruments", page 52 in the Consolidated Financial Statements.

1995-96 to 2005-06 Debt and Interest on Debt



As shown in the chart, outstanding total debt has increased by $56.9 billion, from $98.4 billion at March 31, 1996 to $155.3 billion at March 31, 2006. An increase of $31.3 billion occurred in the fiscal year ended March 31, 2000 when the OEFC (which manages the debt of the former Ontario Hydro) was first consolidated into the Province's accounts. Debt as a percentage of nominal gross domestic product in 2005–06 was 29 per cent compared to 30 per cent in 1995–96.

Annual interest expense increased from $8.5 billion in 1995–96 to $9.0 billion in 2005–06. The slower growth in interest costs is largely a reflection of declining interest rates during the period. Interest expense as a percentage of outstanding debt decreased from 9 per cent in 1995–96 to 6 per cent in 2005–06.

The refinancing of maturing debt will remain a major component of future borrowing. The Canadian domestic market will remain the main funding source for the Province in 2006–07. However, the Province will maintain a flexible approach to borrowing, monitoring both domestic and international capital markets to seek out diversified borrowing opportunities that minimize debt servicing costs.

Other Liabilities

Liabilities other than provincial debt amounted to $23.0 billion at March 31, 2006, compared to $25.7 billion at March 31, 2005.

Liabilities other than provincial debt include accounts payable and accrued liabilities, liabilities related to power purchase contracts, nuclear funding liability, pensions and other employee future benefits liability, and other liabilities such as deferred revenues.

Accounts payable and accrued liabilities of $13.3 billion, which are reported in Schedule 4 to the Consolidated Financial Statements, make up the largest portion of non-debt liabilities. Accounts payable and accrued liabilities decreased by $357 million in 2005–06 primarily due to a reduction in the liability for Canada Revenue Agency overpayment and restructuring liability.

Liabilities related to power purchase agreements and nuclear funding liability are explained in more detail in Note 5, page 54, of the Consolidated Financial Statements and in Notes 9 and 10 of the Ontario Electricity Financial Corporation (OEFC) financial statements[2]. During 2005–06, the nuclear funding liability decreased by $642 million primarily due to a contribution of $709 million towards discharging this liability.

Other liabilities decreased by $1.3 billion primarily due to a $939 million decrease in deferred revenues related to federal transfers recognized as revenue in 2005–06. Also, the $528 million Electricity Consumer Price Protection Fund (ECPPF) liability (due to electricity consumers under the government's interim pricing plan outstanding at March 31, 2005) was settled. A final determination of the ECPPF surplus accumulated from low volume and designated consumers for the interim pricing plan period was made and the amount was transferred to the Independent Electricity System Operator (IESO) to provide credits to eligible consumers during 2005–06.

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[2] OEFC financial statements are included in Volume 2 of the 2005–06 Public Accounts.

NET DEBT

Net debt was $141.9 billion at March 31, 2006, compared to $140.9 billion at March 31, 2005. This increase represents a net investment in tangible capital assets of $856 million and an increase in net assets of BPS organizations of $449 million, which was partially offset by the 2005–06 surplus of $298 million.

Net debt is calculated as the difference between financial assets and liabilities. It represents the government's future revenue requirements to pay for past transactions and events.

The change in net debt in a year measures whether the revenues raised were sufficient to cover government spending including the acquisition of tangible capital assets. An increase in net debt means that more future revenues will be needed to pay for past transactions and events.

Over the last ten years, there were three major events that had a significant impact on the Province's net debt:

1. Electricity sector restructuring in 1999–2000;

2. Adoption of PSAB standard for tangible capital assets in 2002–03; and

3. Adoption of PSAB standard for consolidation of broader public sector organizations in 2005–06.

Net debt increased by $40.0 billion in the last decade from $101.9 billion at March 31, 1996, to $141.9 billion at March 31, 2006. The increase was due to addition of the unfunded liability (or "stranded debt") of the Ontario Electricity Financial Corporation (OEFC) electricity sector of $20.3 billion at March 31, 2000, the cumulative annual net deficit of the past ten years of $16.5 billion, the net increase in tangible capital assets of $2.7 billion since April 1, 2002 and the net increase in net assets of broader public sector organizations of $449 million since April 1, 2005.

During 2005–06, OEFC recorded an excess of revenue over expense of $1.1 billion. As a result, the OEFC's unfunded liability declined to $19.3 billion as at March 31, 2006. This is the first time that the unfunded liability has declined below its initial level since the former Ontario Hydro was restructured on April 1, 1999.

APPENDIX A

Key Economic Assumptions

	2005–06 Budget	2005–06 Actual	2004–05 Actual
Per Cent Change			
Real Gross Domestic Product	2.0	2.8	3.1
Nominal Gross Domestic Product	3.9	4.1	5.2
Corporate Profits	3.0	(0.4)	13.7
Retail Sales	4.0	4.7	3.2
Employment	1.0	1.3	1.7
Personal Income	3.8	4.7	4.5
Wages and Salaries*	3.6	5.0	4.7
Change in Thousands			
Housing Starts	75.4	78.8	85.1
Job Creation	65	81	103

*Includes supplementary labour income.

APPENDIX B

Revenue Risks and Sensitivities

The following selected economic, revenue and expense risks and sensitivities tables are reproduced from the 2006 Budget released in March 2006.

Item/Key Components	2006–07 Assumption	2006–07 Sensitivities
Total Revenues		
Real GDP	2.3 per cent growth in 2006	$645 million revenue change for each percentage point change in real GDP growth. Can vary significantly depending on composition and source of changes in GDP growth.
GDP Deflator	2.2 per cent increase in 2006	
Canadian Interest Rates	4.0 per cent three-month Treasury Bill rate in 2006	Between $65 million and $325 million revenue change in the opposite direction for each percentage point change in interest rates.
U.S. Real GDP	3.4 per cent growth in 2006	Between $195 million and $475 million revenue change for each percentage point change in U.S. Real GDP growth.
Canadian Dollar Exchange Rate	87.0 cents U.S. in 2006	Between $25 million and $115 million revenue change in the opposite direction for each one cent change in the Canadian dollar exchange rate.
Total Taxation Revenues		
Revenue Base[1]	3.6 per cent growth in 2006–07	$590 million revenue change for each percentage point change in nominal GDP growth. Can vary significantly, depending on composition and source of changes in GDP growth.
Nominal GDP	4.5 per cent growth in 2006	
Personal Income Tax Revenues		
Revenue Base	5.6 per cent growth in 2006–07	
Key Economic Assumptions		
Wages and Salaries	4.7 per cent growth in 2006	$240 million revenue change for each percentage point change in wages and salaries growth.
Employment	1.3 per cent growth in 2006	
Unincorporated Business Income	4.2 per cent growth in 2006	

Item/Key Components	2006–07 Assumption	2006–07 Sensitivities
Key Revenue Assumptions		
Net Capital Gains Income	18.0 per cent decrease in 2006	$4 million revenue change for each percentage point change in net capital gains income growth.
RRSP Deductions	6.0 per cent growth in 2006	$15 million revenue change in the opposite direction for each percentage point change in RRSP deductions growth.
2005 Tax-Year Assessments[2]	$20.3 billion	$203 million revenue change for each percentage point change in 2005 Personal Income Tax assessments[3].
2004 Tax-Year and Prior Assessments[2]	$0.8 billion	$8 million revenue change for each percentage point change in 2004 and prior Personal Income Tax assessments[3].
Retail Sales Tax Revenues		
Revenue Base	4.2 per cent growth in 2006–07	
Includes:		
Taxable Household Spending	3.6 per cent growth in 2006–07	
Other Taxable Spending	4.9 per cent growth in 2006–07	
Key Economic Assumptions		
Retail Sales	4.2 per cent growth in 2006	
Nominal Consumption Expenditure	4.3 per cent growth in 2006	$90 million revenue change for each percentage point change in nominal consumption expenditure growth.
Corporations Tax Revenues		
Revenue Base	2.7 per cent growth in 2006–07	
Corporate Profits	3.8 per cent growth in 2006	$65 million revenue change for each percentage point change in pre-tax corporate profit growth.
2005–06 Tax Assessment Refunds[4]	$1.2 billion payable in 2006–07	$12 million revenue change in the opposite direction for each percentage point change in 2005–06 refunds[3].

Note: Information reproduced from the 2006 Budget released in March 2006.

Item/Key Components	2006–07 Assumption	2006–07 Sensitivities
2005–06 Tax Payment Upon Filing	$500 million receivable in 2006–07	$5 million revenue change for each percentage point change in 2005–06 payments upon filing[3].
2005–06 Tax Assessment Payments	$600 million receivable in 2005–06 and 2006–07	$6 million revenue change for each percentage point change in 2005–06 assessment payments[3].
Employer Health Tax Revenues		
Revenue Base	4.3 per cent growth in 2006–07	
Wages and Salaries	4.7 per cent growth in 2006	$35 million revenue change for each percentage point change in wages and salaries growth.
Ontario Health Premium Revenues		
Revenue Base	4.9 per cent growth in 2006–07	
Personal Income	4.7 per cent growth in 2006	$25 million revenue change for each percentage point change in personal income growth.
2005 Tax-Year Assessments	$2.4 billion in 2005	$24 million revenue change for each percentage point change in 2005 Ontario Health Premium Assessments.
Gasoline Tax Revenues		
Revenue Base	0.1 per cent growth in 2006–07	
Gasoline Pump Prices	88.0 cents per litre in 2006	$2 million revenue change in the opposite direction for each cent per litre change in gasoline pump prices.
Fuel Tax Revenues		
Revenue Base	0.7 per cent growth in 2006–07	
Real GDP	2.3 per cent growth in 2006	$13 million revenue change for each percentage point change in real GDP growth.
Land Transfer Tax Revenues		
Revenue Base	1.4 per cent decline in 2006–07	

Note: Information reproduced from the 2006 Budget released in March 2006.

Item/Key Components	2006–07 Assumption	2006–07 Sensitivities
Housing Resales	4.7 per cent decline in 2006	$10 million revenue change for each percentage point change in both the number and prices of housing resales.
Resale Prices	3.0 per cent growth in 2006	
Health and Social Transfers		
Canada-wide Revenue Base	$28.6 billion in 2006–07	
Ontario Revenue Share	37.7 per cent in 2006–07	
Ontario Population Share	38.9 per cent in 2006–07	$44 million revenue change for each tenth of a percentage point change in population share.
Ontario Basic Federal PIT Share	43.9 per cent in 2006–07	$6 million revenue change in the opposite direction for each tenth of a percentage point change in Basic Federal Personal Income Tax base share.

[1] Revenue base is revenue excluding the impact of measures, adjustments for past Public Accounts estimate variances and other one-time factors.

[2] Ontario 2005 Personal Income Tax (PIT) is a forecast estimate because many 2005 tax returns are yet to be assessed by the Canada Revenue Agency. Some tax amounts for 2004 and prior years are also yet to be assessed.

[3] Any change in 2005 or prior-year PIT assessments or 2005–06 Corporations Tax revenues will have an effect on 2006–07 revenues through a change in the revenue base upon which this year's growth is applied.

[4] Corporations Tax refunds for 2005–06 are still subject to uncertainty because a high proportion of corporations have until June 30, 2006 to file their 2005 tax returns.

Note: Information reproduced from the 2006 Budget released in March 2006.

APPENDIX B

Expense Risks and Sensitivities

Many programs delivered by the Province are subject to potential risks and cost drivers such as utilization growth or enrolment and caseload changes. The following sensitivities are based on averages for program areas and might change, depending on the nature and composition of the potential risk.

Program	2006–07 Assumption	2006–07 Sensitivities
Health	Annual growth of 5.8 per cent	One per cent change in health spending: $354 million.
Hospitals	Annual growth of 4.6 per cent	One per cent change in hospital net expense: $147 million.
Drug Programs	Annual growth of 10 per cent	One per cent change in utilization of all drug programs: $35 million (seniors and social assistance recipients).
Home Care	Over 16.7 million hours of homemaking and support services; 8.9 million nursing and professional visits	One per cent change in hours of homemaking and support services: $4 million. One per cent change in nursing and professional visits: $6 million.
Long-Term Care Homes	More than 75,500 long-term care home beds	Annual average Provincial operating cost per bed, after resident co-payment revenue, in a long-term care home is $38,000. One per cent change in number of beds: $28 million.
Elementary and Secondary Schools[1]	Almost two million average daily pupil enrolment	One per cent enrolment change: $160 million school boards' net expense.
College Students	151,000 full-time students	One per cent enrolment change: $7 million.
University Students[1]	314,000 full-time undergraduate and graduate students	One per cent enrolment change: $22 million of net expense.
Ontario Works[1]	201,000 average annual caseload	One per cent caseload change: $16 million.
Ontario Disability Support Program[1]	233,000 average annual caseload	One per cent caseload change: $24 million.
Correctional System	2.8 million adult inmate days per year	Average cost $162 per inmate per day. One per cent change in inmate days: $5 million.
Interest on Debt	Average cost of borrowing is forecast to be approximately 5.1 per cent	The impact of a 100 basis-point change in borrowing rates is forecast to be approximately $250 million.

[1]Based on 2005–06.

Note: Information reproduced from the 2006 Budget released in March 2006.

APPENDIX B

Compensation Costs

Compensation costs and wage settlements are key cost drivers and have a substantial impact on the finances of both broader public sector partners and the Province.

Sector	Cost of 1 per cent salary increase	Size of Sector
OHIP Payments to Physicians[1]	$75 million	Almost 22,000 physicians in Ontario, comprising 10,900 family doctors and 11,000 specialists.
Hospital Nurses[2]	$43 million	Over 53,000 full-time equivalent (FTE) nurses in hospitals.
Elementary and Secondary School Staff[3]	$121 million	Over 190,000 staff including teachers, principals, administrators, support and maintenance staff.
College Staff[4]	$11 million	Almost 35,000 staff including faculty, administrators, and support and maintenance staff.
Ontario Public Service[5]	$51 million	Over 64,000 public servants.

1 Based on 2006–07 outlook.

2 Based on 2005–06.

3 One per cent increase in salary benchmarks in Grants for Student Needs based on 2005–06 school year.

4 Based on 2004–05.

5 Based on 2005–06, reflects total compensation costs.

Note: Information reproduced from the 2006 Budget released in March 2006.

CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Report

To the Legislative Assembly of the
Province of Ontario

I have audited the consolidated statement of financial position of the Province of Ontario as at March 31, 2006 and the consolidated statements of operations, change in net debt, and cash flow for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2006 and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
August 2, 2006

Jim McCarter, CA
Auditor General

Province of Ontario

Consolidated Statement of Operations

For the year ended March 31 ($ Millions)	Budget[1] 2006	Actual 2006	Actual 2005
Revenues *(Schedule 1)*			
Personal Income Tax	20,026	**21,041**	19,320
Retail Sales Tax	15,475	**15,554**	14,855
Corporations Tax	9,248	**9,984**	9,883
Employer Health Tax	4,033	**4,197**	3,886
Gasoline and Fuel Taxes	3,041	**3,010**	3,004
Ontario Health Premium	2,422	**2,350**	1,737
Other Taxes	3,481	**3,781**	3,290
Total Taxation	57,726	**59,917**	55,975
Government of Canada	13,173	**13,251**	11,882
Income from Investment in Government Business Enterprises *(Schedule 8)*	4,019	**4,308**	3,578
Other	6,769	**6,749**	6,406
	81,687	**84,225**	77,841
Expenses *(Schedules 2 and 3)*			
Health	33,362	**32,834**	31,572
Education	11,640	**11,599**	10,859
Children's and Social Services	9,944	**10,067**	9,230
Interest on Debt	9,796	**9,019**	9,368
Environment, Resources and Economic Development	6,433	**8,502**	6,459
Training, Colleges and Universities	4,819	**4,714**	4,605
Justice	3,073	**3,058**	2,958
General Government and Other	4,416	**4,134**	4,345
	83,483	**83,927**	79,396
Reserve	1,000		
Annual Surplus (Deficit)	(2,796)	**298**	(1,555)
Accumulated Deficit at Beginning of Year		**(125,743)**	(124,188)
Less: Net Assets of Broader Public Sector Organizations at Beginning of Year *(Note 2, Schedule 9)*		**16,290**	–
Accumulated Deficit at End of Year		**(109,155)**	(125,743)

See accompanying Notes and Schedules to the Financial Statements.

[1] Amounts reported in 2005 Budget, which exclude the impact of consolidation of broader public sector organizations.

Province of Ontario

Consolidated Statement of Financial Position

As at March 31 ($ Millions)		2006		2005
Liabilities				
Accounts Payable and Accrued Liabilities *(Schedule 4)*		**13,272**		13,629
Debt *(Note 3)*	**154,906**		156,377	
Unamortized Foreign Exchange Gains	**426**		424	
		155,332		156,801
Power Purchase Contracts *(Note 5)*		**3,389**		3,785
Nuclear Funding Liability *(Note 5)*		**768**		1,410
Pensions and Other Employee Future Benefits *(Note 6)*		**1,686**		1,747
Other Liabilities *(Note 7)*		**3,858**		5,146
		178,305		182,518
Financial Assets				
Cash and Cash Equivalents		**4,342**		10,032
Temporary Investments *(Note 8)*		**2,979**		4,321
Accounts Receivable *(Schedule 5)*		**6,447**		6,164
Loans Receivable *(Schedule 6)*		**6,851**		6,364
Other Assets		**2,588**		2,473
Investment in Government Business Enterprises *(Schedule 8)*		**13,170**		12,243
		36,377		41,597
Net Debt		**(141,928)**		(140,921)
Non-Financial Assets				
Net Assets of Broader Public Sector Organizations *(Note 2, Schedule 9)*		**16,739**		–
Tangible Capital Assets *(Note 9)*		**16,034**		15,178
		32,773		15,178
Accumulated Deficit		**(109,155)**		(125,743)

Contingent Liabilities *(Note 10)* and Contractual Obligations *(Note 11)*

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Consolidated Statement of Change in Net Debt

For the year ended March 31 ($ Millions)		2006		2005
Annual Surplus (Deficit)		**298**		(1,555)
Acquisition of Tangible Capital Assets	**(1,675)**		(1,388)	
Amortization of Tangible Capital Assets *(Note 9)*	**815**		801	
Proceeds on Sale of Tangible Capital Assets	**45**		18	
Loss (Gain) on Sale of Tangible Capital Assets	**(41)**		19	
Increase in Net Assets of Broader Public Sector Organizations *(Schedule 9)*	**(449)**		–	
		(1,305)		(550)
Increase in Net Debt		**(1,007)**		(2,105)
Net Debt at Beginning of Year		**(140,921)**		(138,816)
Net Debt at End of Year		**(141,928)**		(140,921)

See accompanying Notes and Schedules to the Financial Statements.

Province of Ontario

Consolidated Statement of Cash Flow

For the year ended March 31 ($ Millions)	2006	2005
Operating Transactions		
Annual Surplus (Deficit)	**298**	(1,555)
Amortization of Tangible Capital Assets *(Note 9)*	**815**	801
Loss (Gain) on Sale of Tangible Capital Assets	**(41)**	19
Income from Investment in Government Business Enterprises *(Schedule 8)*	**(4,308)**	(3,578)
Remittances from Government Business Enterprises *(Schedule 8)*	**3,381**	3,365
Decrease in Liability for Pensions and Other Employee Future Benefits *(Note 6)*	**(61)**	(53)
Decrease in Power Purchase Contracts *(Note 5)*	**(396)**	(236)
Decrease in Nuclear Funding Liability *(Note 5)*	**(642)**	(506)
Increase (Decrease) in Accounts Payable and Accrued Liabilities *(Schedule 4)*	**(357)**	2,468
Decrease in Other Items	**(2,173)**	(1,179)
Cash Applied to Operating Transactions	**(3,484)**	(454)
Capital Transactions		
Acquisition of Tangible Capital Assets	**(1,675)**	(1,388)
Proceeds from Sale of Tangible Capital Assets	**45**	18
Increase in Net Assets of Broader Public Sector Organizations *(Schedule 9)*	**(449)**	–
Cash Applied to Capital Transactions	**(2,079)**	(1,370)
Investing Transactions		
Decrease (Increase) in Temporary Investments *(Note 8)*	**1,342**	(1,387)
Cash Provided by (Applied to) Investing Transactions	**1,342**	(1,387)
Financing Transactions		
Debt Issued	**19,955**	26,141
Debt Retired	**(21,424)**	(18,073)
Cash Provided by (Applied to) Financing Transactions	**(1,469)**	8,068
Net Increase (Decrease) in Cash and Cash Equivalents	**(5,690)**	4,857
Cash and Cash Equivalents at Beginning of Year	**10,032**	5,175
Cash and Cash Equivalents at End of Year	**4,342**	10,032

See accompanying Notes and Schedules to the Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ALL TABLES IN MILLIONS OF DOLLARS)

1. Summary of Significant Accounting Policies

Basis of Accounting

The Consolidated Financial Statements are prepared in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA.

Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations that are controlled by the government as defined in PSAB standards.

Commencing April 1, 2005 public hospitals, specialty psychiatric hospitals, school boards and colleges, collectively referred to as the "Broader Public Sector (BPS) organizations", are included in the government reporting entity under the revised PSAB accounting standard. The BPS organizations are consolidated on a sector basis in these financial statements.

Other organizations that are controlled by the Province are individually consolidated provided they meet one of the following criteria: i) their revenues, expenses, assets or liabilities are greater than $50 million, or ii) their outside sources of revenues, deficit or surplus are greater than $10 million. A listing of these organizations is provided in Schedule 7.

The activities of smaller organizations that do not meet the above criteria are reflected in these financial statements through the accounts of the ministries responsible for them. Trusts administered by the government on behalf of other parties are excluded from the reporting entity but are disclosed in Note 12.

Principles of Consolidation

Government organizations, except for government business enterprises and broader public sector organizations, are consolidated on a line-by-line basis with the Consolidated Revenue Fund in these financial statements. Where necessary, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies described below, and to eliminate significant inter-organization accounts and transactions.

Government business enterprises are defined as those government organizations that i) have the financial and operating authority to carry on a business, ii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations and iii) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government business enterprises are recorded in the financial statements using the modified equity method. Under this method, their combined net assets are included in the financial statements as Investment in Government Business Enterprises on the Consolidated Statement of Financial Position and their combined net income is shown as a separate item, Income from Investment in Government Business Enterprises, on the Consolidated Statement of Operations. Government business enterprises are reported in accordance with the accounting principles generally accepted for business enterprises.

Broader Public Sector organizations are recorded in the financial statements using the modified equity method. Under the modified equity method, their combined net assets are included on the Consolidated Statement of Financial Position as Net Assets of Broader Public Sector Organizations. Their combined net expenses, that is, the total annual expenses of all BPS organizations net of revenues they receive from sources other than the Province, are included on a sector basis in Expenses on the Consolidated Statement of Operations. The combined net expenses of hospitals are included with Health expenses, school board net expenses are included with Education expenses, and college net expenses are included in Training, Colleges and Universities expenses in the Consolidated Statement of Operations. Significant gains and losses resulting from inter-organizational transactions occurring from within the government reporting entity are eliminated upon consolidation. BPS organizations are reported in accordance with the accounting principles generally accepted for their sector, except that the school boards sector has been adjusted to a full accrual basis of accounting upon consolidation.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount.

Measurement uncertainty in these financial statements and notes thereto exists in the valuation of the power purchase contracts, the accruals for pensions and other employee future benefits obligations, the value of tangible capital assets, and the accruals for personal income and corporations tax revenues.

The nature of the uncertainty in the valuation of the power purchase contracts arises from fluctuations in market prices that would impact this liability. The uncertainty related to pensions and other employee future benefits accruals arises because actual results may differ significantly from the Province's best estimate of expected results (for example, difference between actual results and actuarial assumptions regarding return on investment of pension fund assets and health care cost trend rates for retiree benefits).

Uncertainty in the value of tangible capital assets exists because estimates of historical cost are used when actual cost is unknown and because of differences between estimated useful lives and actual useful lives. Uncertainty related to the accrual for personal income tax and corporations tax revenues arises because of the possible differences between the estimated and actual economic growth and the impact of future tax assessments on taxes receivable.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available.

Revenues

Revenues are recognized in the fiscal year that the events giving rise to the revenues occur and they are earned. Amounts received prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed. Expenses include:

- The incurrence of liabilities for goods or services consumed;
- Transfer payments authorized and owing to recipients;
- Interest accruing on debt;
- Pension and other employee future benefits;
- The amortization of tangible capital assets; and
- Losses in the value of assets.

Transfer payments are recognized in the year during which the payment is authorized, all eligibility criteria are met and a reasonable estimate of the amount can be made.

Interest on Debt includes the following: i) interest on outstanding debt net of interest income on investments and loans; ii) amortization of foreign exchange gains or losses; iii) amortization of debt discounts, premiums and commissions; iv) amortization of deferred hedging gains and losses; and v) servicing and other costs.

Employee future benefits such as pensions, other retirement benefits and entitlements upon termination are recognized as expenses over the years in which the benefits are earned by employees. These expenses are the government's share of the cost of benefits including the current year's cost of benefits, interest on the net benefits liability or surplus, amortization of actuarial gains or losses, cost of or gain on plan amendment and other adjustments.

Other employee future benefits are either recognized in the period the event that obligates the government occurs or when the benefits are earned and accumulated by employees.

The costs of buildings and transportation infrastructure owned by the Province are amortized and recognized as expenses over their estimated useful lives on a straight-line basis. Amortization of tangible capital assets owned by government organizations consolidated in these financial statements is also included in expenses.

The Province is phasing in the implementation of PSAB recommendations on tangible capital assets. Consequently, the costs of acquisition of other tangible capital assets owned by the Province, such as furniture and vehicles, continue to be recorded as expenses. Also, for significant capital leases entered into by the Province, an amount equal to the present value of the minimum lease payments required over the term of the lease continues to be recorded as an expense at the inception of the lease, with an offsetting liability recorded for the lease obligation.

Liabilities

Liabilities are recorded to the extent that they represent present obligations of the government to outside parties as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Liabilities include probable losses on loan guarantees issued by the government, and contingencies when it is likely that a loss will be realized and the amount can be reasonably determined.

Liabilities also include obligations to government business enterprises.

Debt

Debt is comprised of treasury bills, commercial paper, medium and long-term notes, savings bonds, debentures and loans.

Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are amortized over the remaining term to maturity.

The Province uses derivative financial instruments (derivatives) for the purposes of minimizing interest costs and to manage risk. The Province does not use derivatives for speculative purposes. Derivatives are financial contracts, the value of which is derived from underlying instruments. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

Pensions and Other Employee Future Benefits

The liabilities for pensions and other employee future benefits are calculated on an actuarial basis using the government's best estimates of future inflation rates, investment returns, employee salary levels and other underlying assumptions, and where applicable, the government's borrowing rate. When actual plan experience of pensions, other retirement benefits and termination pay differs from that expected, or when assumptions

are revised, actuarial gains and losses arise. These gains and losses are amortized over the expected average remaining service life of plan members.

The liabilities for Employee Future Benefits such as pensions, other retirement benefits and termination pay represent the government's share of the actuarial present values of benefits attributed to services rendered by employees and former employees, less its share of the assets of the plans. In addition, the liability includes the Province's share of the unamortized balance of actuarial gains or losses, and other adjustments primarily for differences between the fiscal year-ends of the pension plans and the Province.

Assets

Assets are resources controlled by the government from which it will derive future benefits. Assets are recognized in the year the events giving rise to the government's control of the benefit occur.

Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash, temporary investments, accounts receivable, loans receivable, advances, and investments in government business enterprises.

Temporary investments are recorded at the lower of cost or fair value.

Accounts receivables are recorded at cost. Valuation allowances are made when collectibility is considered doubtful.

Loans receivable with significant concessionary terms are considered in part as grants and are recorded on the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expense at the date of issuance of the loan. The amount of the loan discount is amortized to revenue over the term of the loan. Loans receivable include amounts owing from government business enterprises.

Investment in Government Business Enterprises represents the net assets of government business enterprises recorded on the modified equity basis as described under Principles of Consolidation.

Net Assets of Broader Public Sector Organizations

The net assets of the broader public sector (BPS) organizations are comprised of tangible capital assets and financial assets of BPS organizations net of their liabilities. While the assets of BPS organizations are consolidated, they are owned, managed and operated by members of the BPS organizations. Tangible capital assets of hospitals and colleges are recorded at historical cost in their financial statements. Although school boards do not presently record tangible capital assets in their financial statements, their financial information has been adjusted upon consolidation to recognize the estimated historical cost of their land and building assets.

Tangible Capital Assets

Tangible capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development but excludes interest. Estimated historical cost was used to record existing tangible capital assets if actual cost was unknown when the Province first implemented tangible capital assets accounting.

As the Province is phasing in the implementation of PSAB recommendations on provincially owned tangible capital assets, the following categories are included under tangible capital assets and recorded at historical cost: land, buildings and transportation infrastructure owned by the Province; and all tangible capital assets owned by government organizations that are consolidated in these financial statements. The remaining other tangible capital assets comprised primarily of leased assets, computers, equipment, vehicles and furniture are expensed as acquired. The Province intends to apply PSAB's recommendations on the remaining other tangible capital assets in 2008–09.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

Trust Funds

Trust funds that have been deposited into the Consolidated Revenue Fund are included in Other Liabilities on the Consolidated Statement of Financial Position.

2. Accounting Policy Changes

In August 2003, PSAB revised its reporting entity standard for fiscal years commencing April 1, 2005. The government reporting entity is comprised of organizations that are controlled by the government as defined in the new standard. Accordingly, the Province's reporting entity has been expanded to include public hospitals, specialty psychiatric hospitals, school boards, and colleges, collectively referred to as Broader Public Sector (BPS) organizations.

The net book value of the net assets of the BPS organizations as at April 1, 2005 was established at $16.3 billion. The Province's accumulated deficit as at April 1, 2005 has been correspondingly reduced. Adoption of the new accounting policy resulted in a $449 million decrease in expenses for the 2005–06 fiscal year.

The comparative results from the 2004–05 fiscal year have not been restated to reflect the revised accounting policy, as its effect on the previous year's financial results is not reasonably determinable. Consequently, comparisons between the current and prior fiscal years may not be meaningful.

3. Debt

The Province borrows in both domestic and international markets. Total Debt of $154.9 billion, as at March 31, 2006 (2005, $156.4 billion), is composed of bonds and debentures issued in both the short-term and long-term public capital markets and non-public debt held by certain federal and provincial public sector pension plans, government agencies and private financial institutions. Debt was comprised of Debt Issued for Provincial Purposes of $126.9 billion (2005, $128.9 billion) and Ontario Electricity Financial Corporation (OEFC) debt of $28.0 billion (2005, $27.5 billion). The table on page 50 presents the maturity schedule of the Province's outstanding debt, by currency of repayment, expressed in Canadian dollars, and reflects the effects of related derivative contracts.

Debt As at March 31						2006	2005
Currency	Canadian Dollar	U.S. Dollar	Japanese Yen	Euro[1]	Other Currency[2]	Total	Total
Maturing in:							
2006							$24,073
2007	$17,646	3,315	460	–	–	**$21,421**	14,864
2008	8,078	5,397	320	–	224	**14,019**	12,777
2009	14,876	3,538	–	795	207	**19,416**	19,276
2010	8,431	1,654	717	1,443	870	**13,115**	12,758
2011	6,002	–	–	–	252	**6,254**	
1–5 years	55,033	13,904	1,497	2,238	1,553	**74,225**	83,748
6–10 years	21,772	5,214	99	1,188	1,707	**29,980**	28,994
11–15 years	4,694	–	–	–	–	**4,694**	2,996
16–20 years	11,766	–	–	–	–	**11,766**	10,156
21–25 years	12,843	–	–	–	–	**12,843**	14,993
26–40[3] years	21,398	–	–	–	–	**21,398**	15,490
Total[4, 5]	**$127,506**	**19,118**	**1,596**	**3,426**	**3,260**	**$154,906**	$156,377
Debt Issued for Provincial Purposes[6]	**104,284**	**14,924**	**1,596**	**3,426**	**2,643**	**126,873**	128,859
OEFC Debt	**23,222**	**4,194**	**–**	**–**	**617**	**28,033**	27,518
Total[4, 5]	**$127,506**	**19,118**	**1,596**	**3,426**	**3,260**	**$154,906**	$156,377
Effective interest rates (weighted average)							
2006	**6.39%**	**5.04%**	**4.09%**	**5.61%**	**4.44%**	**6.14%**	**–**
2005	6.64%	5.31%	5.20%	5.49%	4.72%	–	6.36%

1 Euro debt includes debt issues in Euro and French franc legacy currency.

2 Other currencies comprise: Australian dollar, New Zealand dollar, Pound sterling, Swiss franc, Hong Kong dollar and South African rand.

3 The longest term to maturity is to March 1, 2045.

4 Total foreign currency denominated debt as at March 31, 2006, was $27.4 billion (2005, $32.3 billion). Of that, $384 million (2005, $400 million) was unhedged U.S. dollar denominated debt, $695 million (2005, $800 million) was unhedged Japanese yen denominated debt and $23 million (2005, Nil) was unhedged Swiss franc denominated debt; the remaining balance of $26.3 billion or 95.9% (2005, $31.1 billion or 96.3%) was fully hedged to Canadian dollars.

5 Total debt includes issues totalling $4.8 billion (2005, $2.9 billion), which have embedded options exercisable by either the Province or the bond holder under specific conditions.

6 Debt denominated in Canadian dollars as at March 31, 2006 includes $1.0 billion (2005, $1.0 billion) of long-term debt purchased by the Province but not cancelled.

Debt As at March 31	2006	2005
Debt Payable to:		
Public Investors	**$130,760**	$130,988
Canada Pension Plan Investment Fund	**10,233**	10,233
Ontario Teachers' Pension Plan	**7,596**	8,666
Public Service Pension Plan	**2,705**	2,886
Ontario Public Service Employees Union Pension Fund	**1,285**	1,371
Canada Mortgage and Housing Corporation	**960**	1,003
Others[1]	**1,367**	1,230
Total	**$154,906**	$156,377

[1] Debt payable to others includes debt payable to Ontario Municipal Employees' Retirement Fund, Colleges of Applied Arts and Technology Pension Plan and Ryerson Retirement Pension Plan. It also includes the School Board Trust Debt, debt of Ontario Immigrant Investor Corporation and Royal Ontario Museum.

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the Province's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of debt at March 31, 2006 was $170.6 billion (2005, $172.3 billion). This is higher than the book value of $154.9 billion (2005, $156.4 billion) because current interest rates are generally lower than the interest rates at which the debt was issued. The fair value of debt does not reflect the effect of related derivative contracts.

School Board Trust Debt

A School Board Trust was created in June 2003 to permanently refinance debt incurred by 55 school boards. The Trust issued 30-year sinking fund debentures amounting to $891 million in June 2003. The Trust provided $882 million of the proceeds to the 55 school boards in exchange for the irrevocable right to receive future transfer payments from the Province related to this debt. These amounts will be reduced over the 30 year period by the transfer payments made by the Ministry of Education to the Trust under the School Board Operating Grant program. As at March 31, 2006, the outstanding amount of $854 million (2005, $867 million) advanced to school boards is included in Other Assets and outstanding debentures of $863 million (2005, $876 million) are included in Debt.

4. Risk Management and Derivative Financial Instruments

The Province employs various risk management strategies and operates within defined risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which the Province agrees with another party to exchange cash flows based upon one or more notional amounts using stipulated reference interest rates for a specified period. Swaps allow the Province to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures, options, caps and floors.

Foreign exchange or currency risk is the risk that foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, the Province uses derivative contracts including foreign exchange forward contracts, futures, options and swaps to convert foreign currency cash flows into Canadian dollar denominated cash flows. Most of the derivative contracts hedge the underlying debt by matching all the critical terms to achieve effectiveness. In the instances where the term of foreign exchange forward contracts used for hedging is shorter than the term of the underlying debt, the effectiveness is maintained by continuously rolling the foreign exchange forward contract over the remaining term of the underlying debt, or until replaced with a long-term derivative contract.

The current policy allows the net of unhedged foreign currency debt principal and foreign currency holdings to reach a maximum of 5 per cent of Debt Issued for Provincial Purposes and OEFC debt. At March 31, 2006, the respective unhedged levels were 0.8 and nil per cent (2005, 0.8 and 0.1 per cent). For every one-cent increase in the Canadian dollar versus the U.S. dollar, there would be an increase in debt amount of $3 million (2005, $3 million) and an increase in Interest on Debt of $1.7 million (2005, $1.4 million). For every one Japanese yen decrease versus the Canadian dollar, there would be an increase in debt amount of $7 million (2005, $9 million) and an increase in Interest on Debt of $2.0 million (2005, $2.1 million). Total foreign exchange gains recognized in the Statement of Operations for 2005–06 were $112 million (2004–05, $56 million).

Interest on debt expense may also vary as a result of changes in interest rates. In respect of Debt Issued for Provincial Purposes, the risk is measured as interest rate resetting risk which is the net of floating rate exposure, liquid reserves and fixed rate debt maturing within the next 12-month period as a percentage of Debt Issued for Provincial Purposes. In respect of OEFC debt, the risk is the floating rate exposure as a percentage of OEFC debt. Depending on market conditions, the Province creates or reduces its exposure to interest rate changes by issuing or retiring short-term debt, or by entering into or closing

out derivative positions. The current policy limits interest rate resetting risk for Debt Issued for Provincial Purposes to a maximum of 25 per cent and floating rate risk for OEFC debt to a maximum of 20 per cent.

As at March 31, 2006, interest rate resetting risk for Debt Issued for Provincial Purposes was 14.1 per cent (2005, 10.2 per cent) while floating rate risk for OEFC debt was 9.6 per cent (2005, 8.5 per cent). Based on floating rate interest-bearing financial instruments on hand at the balance sheet date plus planned issues for the coming year, a one per cent (100 basis points) increase in interest rates would result in an increase in Interest on Debt of $250 million (2005, $250 million).

Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves, that is, cash and temporary investments (Note 8), at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has short-term note programs as alternative sources of liquidity.

The table below presents a maturity schedule of the Province's derivatives, by type, outstanding at March 31, 2006, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value
As at March 31

Maturity in Fiscal Year	2007	2008	2009	2010	2011	6–10 Years	Over 10 Years	**2006 Total**	2005 Total
Swaps:									
Interest rate	$8,648	$13,272	$10,403	$7,769	$2,111	$18,286	$4,246	**$64,735**	$69,116
Cross currency	4,596	4,451	4,630	5,053	502	9,203	–	**28,435**	30,947
Forward foreign exchange contracts	3,639	–	–	–	–	–	–	**3,639**	5,241
Caps and floors	444	–	–	88	–	–	–	**532**	761
Futures	–	–	–	–	–	–	–	**–**	62
Total	$17,327	$17,723	$15,033	$12,910	$2,613	$27,489	$4,246	**$97,341**	$106,127

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The Province manages its credit risk exposure from derivatives by, among other things, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, the Province enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with virtually all of its counterparties. Gross credit risk exposure represents the loss that the Province would incur if every counterparty to which the Province had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions.

The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2006.

Credit Risk Exposure As at March 31	**2006**	2005
Gross credit risk exposure[1]	**$1,507**	$1,865
Less: Netting[2]	**(1,395)**	(1,618)
Net Credit Risk Exposure	**$ 112**	$ 247

1 Gross credit risk exposure is the gross credit exposure to counterparties with net positive exposure (that is, the Province has an unrealized gain).

2 "Netting" is the gross negative credit exposure to counterparties with net positive credit exposures covered by master agreements providing for close out netting when contracts do not have co-terminus settlement dates.

5. Ontario Electricity Financial Corporation Liabilities

The Ontario Electricity Financial Corporation (OEFC) is consolidated as a government organization in these financial statements. In addition to the current liabilities and long-term debt of OEFC, recorded in these financial statements under Accounts Payable and Accrued Liabilities and Debt respectively, the following liabilities of OEFC are also reflected in these financial statements:

i) Power Purchase Contracts

Power purchase contracts and related loan agreements were entered into by Ontario Hydro with non-utility generators (NUGs) located in Ontario. As the legal continuation of Ontario Hydro, OEFC is the counterparty to these contracts. A liability arose because these contracts, expiring on various dates to 2048, provided for the purchase of power at prices that were expected to be in excess of the market price.

The NUG liability had been valued at $4.3 billion on a discounted cash-flow (DCF) basis since Ontario Hydro was continued as OEFC on April 1, 1999. Prior to open access to the electricity market in May 2002, power purchased from NUGs was resold at cost to the

revenue pool managed by Ontario Power Generation Inc. (OPG). After the market opened, OEFC sustained annual losses on power purchased from NUGs. The DCF model was updated as of March 31, 2003, which reduced the estimated liability, by $422 million to $3.7 billion. The revaluation change is being amortized to operations over a 10-year period.

Under the Electricity Restructuring Act, 2004, effective January 1, 2005, OEFC began receiving actual contract prices for power from ratepayers and will no longer incur losses on these power purchase contracts. The Ministry of Finance estimates that the bulk of the liability will be eliminated over 12 years as existing electricity contracts expire. The decrease in the liability for power purchase contracts for 2005–06 was $396 million (2004–05, $236 million). This results in a liability of $3.4 billion as at March 31, 2006 (2005, $3.8 billion).

ii) Nuclear Funding Liability

OEFC as the continued Ontario Hydro assumed a liability in the amount of $2.4 billion representing nuclear waste management and asset removal liabilities that were incurred prior to April 1, 1999. The Province and OPG are parties to the Ontario Nuclear Funds Agreement (ONFA) to establish, fund and manage segregated funds to ensure that sufficient funds are available to pay for costs of nuclear waste management and station decommissioning.

The board of directors of OEFC approved the funding of the Decommissioning Segregated Fund, established by OPG, thus discharging the nuclear funding liability over a four-year period. OEFC contributed $1.2 billion towards the fund liability on July 24, 2003, $600 million on March 31, 2005 and $709 million on October 4, 2005.

Interest is accrued at a rate equal to the Ontario Consumer Price Index plus 3.25 per cent in accordance with the terms of ONFA which were finalized on July 24, 2003. A commitment-in-lieu of $768 million as at March 31, 2006 (2005, $1.4 billion) has been provided to the Decommissioning Segregated Fund.

6. Pensions and Other Employee Future Benefits

Pensions and Other Employee Future Benefits Liability (Asset) As at March 31	2006 Pensions	2006 Other Employee Future Benefits	2006 Total	2005 Total
Obligation for benefits	$ 59,004	$ 5,508	**$ 64,512**	$ 59,566
Less: plan fund assets	(64,421)	(325)	**(64,746)**	(60,389)
Unamortized actuarial gains (losses)	1,602	(1,156)	**446**	1,170
Adjustments[1]	1,474	–	**1,474**	1,400
Total	**$ (2,341)**	**$ 4,027**	**$ 1,686**	$ 1,747

[1] Adjustments consist of:

i) differences for amounts reported by the pension plans at December 31, instead of the Province's year-end of March 31;

ii) unamortized difference between employer and employee contributions for jointly sponsored pension plans;

iii) unamortized employee contribution reductions for solely sponsored plans;

iv) unamortized initial unfunded liabilities of jointly sponsored plans; and

v) amounts payable by the Province that are reflected as contributions in the pension plan assets.

Pensions and Other Employee Future Benefits Expense

For the year ended March 31	2006 Pensions	2006 Other Employee Future Benefits	2006 Total	2005 Total
Cost of benefits	$ 1,506	$ 262	**$ 1,768**	$ 1,606
Amortization of actuarial losses (gains)	(432)	45	**(387)**	(250)
Employee contributions	(173)	–	**(173)**	(158)
Cost of (gain on) plan amendments	44	211	**255**	(5)
Interest expense (revenue)	(310)	200	**(110)**	(178)
Adjustments[1]	(113)	–	**(113)**	142
Total[2]	**$ 522**	**$ 718**	**$ 1,240**	$ 1,157

1 Adjustments for Pensions consist of amortization of:
i) the difference between employer and employee contributions for jointly sponsored pension plans;
ii) employee contribution reductions for solely sponsored plans; and
iii) initial unfunded liability of jointly sponsored pension plans.
Adjustments for Other Employee Future Benefits include the increase in Other Employee Future Benefits Liability as at April 1, 2004 as a result of a change in estimation method.

2 Total Pensions and Other Employee Future Benefits Expense is reported in Schedule 2. The Teachers' Pension expense of $295 million (2004–05, $240 million) is included in the Education expense in the Consolidated Statement of Operations and is disclosed separately in Schedule 3. The Public Service and OPSEU Pension expense of $227 million (2004–05, $237 million) and Other Employee Future Benefits — Retirement Benefits expense of $502 million (2004–05, $221 million) are included in the General Government and Other expense in the Consolidated Statement of Operations. The combined total of Public Service and OPSEU Pension and Other Employee Future Benefits — Retirement Benefits expense of $729 million (2004–05, $458 million) is disclosed separately in Schedule 3. The remainder of Other Employee Future Benefits expense is included in the relevant ministries' expenses in Schedule 3.

Pensions

The Province sponsors several pension plans. It is the sole sponsor of the Public Service Pension Plan (PSPP) and joint sponsor of the Ontario Public Service Employees Union (OPSEU) Pension Plan, and the Ontario Teachers' Pension Plan (OTPP).

These three plans are contributory defined benefit plans that provide Ontario government employees and elementary and secondary school teachers and administrators with a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to changes in the Consumer Price Index to provide protection against inflation. Plan members normally contribute between 7 and 9 per cent of their salary to these plans. The Province matches these contributions.

Funding of these plans is based on statutory actuarial funding valuations undertaken at least every three years. The Province contributed $740 million to the OTPP in 2005–06 (2004–05, $708 million), $136 million to the PSPP (2004–05, $124 million) and $143 million to the OPSEU Pension Plan (2004–05, $135 million). During calendar year 2005, the OTPP

paid benefits, including transfers to other plans of $3.6 billion (2004, $3.4 billion), the PSPP paid $793 million (2004, $799 million) and the OPSEU Pension Plan paid $524 million (2004, $493 million). Under agreements between the Province and OPSEU, and between the Province and the Ontario Teachers' Federation (OTF), gains and losses arising from statutory actuarial funding valuations are shared by the co-sponsors.

The government's best estimate of the future annual inflation rate used in the pension and other employee future benefits calculations is 2.5 per cent, the salary escalation rate is 3.5 per cent, the discount rate and the expected rate of return on pension plan assets are 6.75 per cent (2005, 7 per cent) for OTPP, 6.5 per cent for PSPP and 6.75 per cent for OPSEU Pension Plan. Actuarial gains or losses are amortized over periods of 10 to 13 years.

The Province is also responsible for sponsoring the Ontario Teachers' Retirement Compensation Arrangement and the Public Service Supplementary Benefits Plan. Expenses and liabilities of these plans are included in the Pensions Expense and Pensions Liability reported in the above tables.

Other Employee Future Benefits

Other Employee Future Benefits are non-pension retirement benefits, post-employment benefits and compensated absences. The discount rate used in the Other Employee Future Benefits (except retirement benefits) calculation for 2005–06 is 4.65 per cent (2004–05, 5.25 per cent).

Retirement Benefits

The Province provides dental, basic life insurance, supplementary health and hospital benefits to retired employees through a self-insured, unfunded defined benefit plan. The Province paid $119 million for benefits under the plan in 2005–06 (2004–05, $95 million). The liability for non-pension retirement benefits of $2.5 billion as at March 31, 2006 (2005, $2.1 billion) is included in the Other Employee Future Benefits Liability. The expense for 2005–06 of $502 million (2004–05, $221 million) is included in the Other Employee Future Benefits Expense.

The discount rate used in the other retirement benefits calculation for 2005–06 is 5.15 per cent (2004–05, 5.75 per cent).

During the year, the Province entered into an agreement with OPSEU to change various supplemental health benefits. The cost of these changes of $211 million is included in the 2005–06 Other Employee Future Benefits Expense.

Post-Employment Benefits

The Province provides employees who have completed 5 years of service, termination pay equal to one week's salary for each year of service up to a maximum of 50 per cent of their annual salary. Employees who have completed one year of service but less than 5 years are also entitled to termination pay in the event of death, retirement or release from employment. The termination pay benefits are unfunded and are administered by the Province. The Province paid out $49 million in termination pay in 2005–06 (2004–05,

$43 million). The liability for termination pay of $805 million as at March 31, 2006 (2005, $777 million) is included in the Other Employee Future Benefits Liability. The expense for 2005–06 of $76 million (2004–05, ($39 million) including a $112 million reduction in the liability as a result of a change in estimation method) is included in the Other Employee Future Benefits Expense.

The Province also provides on a self-insured basis workers' compensation benefits, long-term disability benefits and regular benefits to employees who are on workers' compensation and/or long-term disability. The liability for workers' compensation of $360 million as at March 31, 2006 (2005, $349 million) net of deposits of $3 million (2005, $3 million) is included in the Other Employee Future Benefits Liability. The expense for 2005–06 of $53 million (2004–05, $120 million) including a $41 million payment made in 2005–06 (2004–05, $39 million) is included in the Other Employee Future Benefits Expense. The 2004–05 expense included a $92 million increase in the liability as a result of a change in estimation method.

The unfunded liability for long-term disability benefits of $209 million as at March 31, 2006 (2005, $183 million) is net of deposits of $322 million (2005, $321 million), and is included in the Other Employee Future Benefits Liability. The 2005–06 expense of $82 million (2004–05, $232 million including the impact of compliance with PSAB recommendations on long-term disability benefits) is included in the Other Employee Future Benefits Expense. A $56 million payment for long-term disability benefits was made in 2005–06 (2004–05, $47 million).

7. Other Liabilities

Other Liabilities As at March 31	2006	2005
Deferred Revenue:		
Federal Transfers	**$ 1,407**	$2,346
Vehicle & Driver Licences	**579**	322
Other	**562**	582
Total Deferred Revenue	**2,548**	3,250
Electricity Consumer Price Protection Fund	**–**	528
Other Funds and Liabilities	**1,310**	1,368
Total	**$ 3,858**	$5,146

Other Liabilities include deferred revenues, Electricity Consumer Price Protection Fund (remaining surplus in discontinued fund to be returned to consumers), pension and benefit funds related to the Provincial Judges' Pension Fund and the Deputy Ministers' Supplementary Benefit Account, externally restricted funds and other miscellaneous liabilities.

Deferred Revenue — Federal Transfers

		Amortized to Revenue		Deferred Revenue	Amortized to Revenue	
	Total Transfer Received	2004–05 and prior	2005–06	2005–06	2006–07	2007–08 and thereafter
Wait Times Reduction 2004–05	$1,655	$242	$243	**$1,170**	$467	$703
Public Health and Immunization 2003-04	156	50	53	**53**	53	–
Other Federal Transfers	190	2	4	**184**	11	173
Total	$2,001	$294	$300	**$1,407**	$531	$876

The above federal transfers were received by the Province and are intended to provide funding for provincial expenditures over several accounting periods. The Wait Times Reduction Fund and the Public Health and Immunization Trust are recognized as

revenue in the periods identified by the federal government. They have been used to fund health care expenditures including grants to hospitals.

The Province provides a two-year vehicle licence plate renewal option and multi-year driver licence renewals (two years for seniors and five years for all others). Amounts received under these multi-year renewals are recognized as revenue over the periods covered by the licences. During the year, the Province refined the method of estimating deferred revenue for vehicle and driver licences. Consequently, the deferred revenue balance as at March 31, 2006 increased by $257 million from March 31, 2005.

8. Temporary Investments

Temporary Investments
As at March 31

	2006	2005
Temporary investments	**$7,327**	$5,644
Add: assets purchased under resale agreements	**80**	2,594
Less: assets sold under repurchase agreements	**(4,428)**	(3,917)
Total	**$2,979**	$4,321

The fair value of temporary investments, including assets purchased and sold under resale and repurchase agreements, at March 31, 2006 is $3.1 billion (2005, $4.4 billion). Temporary investments primarily consist of investments in government bonds. Fair value is determined using quoted market prices.

A resale agreement is an agreement between two parties to purchase and subsequently resell a security at a specified price on a specified date. A repurchase agreement is an agreement between two parties to sell and subsequently repurchase a security at a specified price on a specified date.

9. Tangible Capital Assets

Tangible Capital Assets
As at March 31

	2006 Cost	**2006** Accumulated Amortization	**2006** Net Book Value	2005 Net Book Value
Land	$5,366	$ –	**$5,366**	$5,036
Buildings	4,151	1,360	**2,791**	2,684
Transportation Infrastructure	11,963	5,031	**6,932**	6,566
Other	2,115	1,170	**945**	892
Total	$23,595	$7,561	**$16,034**	$15,178

Land includes land acquired for transportation infrastructure, parks, buildings and other program use, and land improvements that have an indefinite life and are not being amortized. Land excludes Crown lands acquired by right.

Buildings include administrative and service structures, and buildings under construction, but leased premises are excluded.

Transportation infrastructure includes provincial highways, railways, bridges and related structures and facilities, but excludes land and buildings.

Other includes railway equipment, computer equipment, vehicles, furniture, and administrative and service equipment owned by government organizations that are consolidated. Similar assets owned by provincial ministries will be included in 2007–08. Works of art and historical treasures including the Legislative Building are excluded from tangible capital assets.

All tangible capital assets, except buildings under construction, land and land improvements with an indefinite life, are being amortized on a straight-line basis over their estimated useful lives. Amortization expense for the fiscal year 2005–06 totaled $815 million (2004–05, $801 million). The useful lives of the Province's tangible capital assets have been estimated as:

Buildings	20 to 40 years
Transportation Infrastructure	10 to 60 years
Other	3 to 25 years

10. Contingent Liabilities

Obligations Guaranteed by the Province

The authorized limit for loans guaranteed by the Province as at March 31, 2006 was $3.8 billion (2005, $3.9 billion). The outstanding loans guaranteed and other contingencies amounted to $3.3 billion at March 31, 2006 (2005, $3.2 billion). A provision of $504 million (2005, $409 million) based on an estimate of the likely loss arising from guarantees under the Student Support Programs has been reflected in these Consolidated Financial Statements.

Ontario Nuclear Funds Agreement

The Province, Ontario Power Generation Inc. (OPG), a wholly owned subsidiary, and certain subsidiaries of OPG, are parties to the Ontario Nuclear Funds Agreement (ONFA), to establish, fund, and manage segregated funds to ensure sufficient funds are available to pay the costs of nuclear station decommissioning and nuclear used fuel waste management.

Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds, for a fixed volume of used fuel. The likelihood and amount by which the cost estimate could rise above these

thresholds cannot be determined at this time. The cost estimate will be updated periodically, to reflect new developments in the management of nuclear used fuel waste.

As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario Consumer Price Index for the nuclear used fuel waste management fund. If the earnings on assets in that fund exceed the guaranteed rate, the Province is entitled to the excess.

Two agreements are in place to satisfy the Canadian Nuclear Safety Commission (CNSC) licensing requirements for financial guarantees in respect of OPG's nuclear station decommissioning and nuclear waste management obligations. One agreement gives the CNSC access to the segregated funds established under ONFA. The other agreement provides a direct provincial guarantee to the CNSC on behalf of OPG. This guarantee, for up to $1.5 billion, relates to the portion of the decommissioning and waste management obligations not funded by the segregated funds. In return, the Province receives from OPG an annual fee equal to 0.5 per cent of the value of the direct provincial guarantee.

Social Housing — Loan Insurance Agreements

For all non-profit housing projects in the provincial portfolio, the Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation (CMHC) for any net costs, including any environmental liabilities, incurred as a result of project defaults, directly or indirectly, through the Ministry of Municipal Affairs and Housing or the Ontario Housing Corporation.

At March 31, 2006, there were $8.6 billion (2005, $8.8 billion) of mortgage loans outstanding. As operating subsidies provided are sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

Claims Against the Crown

There are claims outstanding against the Crown of which 94 (2005, 82) are for amounts over $50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

11. Contractual Obligations

The nature of the government's activities results in significant multi-year contracts and obligations, including the following:

- Ontario Power Generation Inc.'s future contributions under the Ontario Nuclear Funds Agreement of $3.7 billion, long-term debt repayment obligations of $3.7 billion and fuel supply agreements of $1.4 billion; and
- Transfer payment for long-term care beds of $2.2 billion.

The following table summarizes the government's total contractual obligations.

Contractual Obligations As at March 31	2006	2005
Ontario Power Generation	**$10,930**	$10,023
Transfer payments	**5,193**	6,095
Leases	**1,452**	1,095
Construction Contracts	**1,007**	730
Other	**6,581**	3,208
Total Contractual Obligations	**$25,163**	$21,151

The following table summarizes the information presented above to indicate the minimum amounts required to satisfy the contractual obligations each year from 2007 to 2011 inclusive, and a total for amounts due in the year 2012 and subsequent years.

Schedule of Minimum Payments
As at March 31

Minimum Payments to be made in:	Ontario Power Generation	Transfer Payments	Leases	Construction Contracts	Other	Total
2007	$ 2,715	$1,335	$ 231	$625	$1,139	**$ 6,045**
2008	1,715	841	171	270	641	**3,638**
2009	1,662	471	140	81	577	**2,931**
2010	1,062	320	108	21	522	**2,033**
2011	1,490	242	86	9	397	**2,224**
2012 and thereafter	2,286	1,984	716	1	3,305	**8,292**
Total	**$10,930**	**$5,193**	**$1,452**	**$1,007**	**$6,581**	**$25,163**

12. Trust Funds Under Administration

Summary financial information from the most recent financial statements of trust funds under administration is provided below.

Workplace Safety and Insurance Board As at December 31	2005	2004
Assets	$14,547	$13,643
Liabilities	21,057	20,063
Unfunded Liability	(6,510)	(6,420)
Revenues	4,416	4,130
Expenditures	4,506	4,503
Deficit	(90)	(373)
Unfunded Liability, Beginning of Year	(6,420)	(7,135)
Effect of Changes in Accounting Policy	—	1,088
Unfunded Liability, End of Year	$(6,510)	$(6,420)

Other Trust Funds As at March 31, 2006	Assets	Liabilities	Fund Balance (Unfunded Liability)
The Public Guardian and Trustee for Province of Ontario	$1,229	$1,150	$ 79
Motor Vehicle Accident Claims Fund	$ 49	$ 188	$ (139)
Pension Benefits Guarantee Fund	$ 143	$ 417	$ (274)
As at December 31, 2005	**Assets**	**Liabilities**	**Fund Balance**
Deposit Insurance Corporation of Ontario	$ 95	$ 10	$ 85

Any unfunded liability of trusts under administration are not included in the Province's financial statements as they are the responsibility of external parties. The most recent financial statements of these trusts are reproduced in Volume 2 of the Public Accounts of Ontario.

13. Subsequent Event

As part of the sale of its 50 per cent interest in Teranet in August 2003, the Province retained the right to share in the value of any future sale of Teranet.

On May 8, 2006, the Province granted permission to Teranet Inc. to proceed with an initial public offering (IPO) of the company. On June 16, 2006, the Province received substantially all of its estimated share of the IPO proceeds of $571 million, and agreed to contribute $54 million to Teranet for service improvements and system enhancements to Ontario's electronic land registration system. The Province will record the estimated revenue of $571 million and expense of $54 million in fiscal year 2006–07.

14. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 2006 presentation.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Province of Ontario
Schedule 1: Revenues

For the year ended March 31 ($ Millions)	Budget[1] 2006	Actual 2006	Actual 2005
Taxation			
Personal Income Tax	20,026	**21,041**	19,320
Retail Sales Tax	15,475	**15,554**	14,855
Corporations Tax	9,248	**9,984**	9,883
Employer Health Tax	4,033	**4,197**	3,886
Ontario Health Premium	2,422	**2,350**	1,737
Gasoline Tax	2,308	**2,281**	2,277
Tobacco Tax	1,511	**1,379**	1,453
Land Transfer Tax	1,056	**1,159**	1,043
Electricity Payments-In-Lieu of Taxes	656	**951**	511
Fuel Tax	733	**729**	727
Other Taxes	258	**292**	283
	57,726	**59,917**	55,975
Government of Canada			
Canada Health Transfer	7,127	**7,148**	5,640
Canada Social Transfer	3,039	**3,052**	2,912
CHST Supplements	584	**584**	775
Social Housing	520	**520**	522
Infrastructure Programs	293	**285**	209
Early Learning and Child Care	272	**272**	–
Wait Times Reduction Fund	243	**243**	242
Medical Equipment Funds	194	**194**	387
Indian Welfare Services Agreement	146	**182**	154
Bilingualism Development	63	**86**	70
Labour Market Agreement for Persons with Disabilities	63	**81**	62
Youth Criminal Justice	69	**67**	68
Public Health and Immunization Trust	53	**52**	50
Legal Aid Criminal	43	**51**	50
Other	464	**434**	741
	13,173	**13,251**	11,882

Province of Ontario
Schedule 1: Revenues (cont'd)

For the year ended March 31 ($ Millions)	Budget[1] 2006	Actual 2006	Actual 2005
Income from Investment in Government Business Enterprises (Schedule 8)	4,019	**4,308**	3,578
Other			
Electricity Debt Retirement Charge	1,018	**1,021**	997
Power Sales	961	**779**	610
Local Services Realignment	765	**775**	733
Vehicle and Driver Registration Fees	1,017	**763**	976
Other Fees and Licences	510	**550**	506
Liquor Licence Board of Ontario Revenues	502	**516**	489
Sales and Rentals	369	**465**	352
Net Reduction of Power Purchase Contracts	396	**396**	236
Royalties	236	**191**	278
Independent Electricity System Operator Revenue	151	**141**	149
Miscellaneous	844	**1,152**	1,080
	6,769	**6,749**	6,406
Total Revenues	81,687	**84,225**	77,841

[1] Amounts reported in 2005 Budget, which exclude the impact of consolidation of broader public sector organizations.

Province of Ontario

Schedule 2: Expenses by Object

For the year ended March 31 ($ Millions)	2006	2005
Transfer Payments	**62,636**	58,030
Interest on Debt	**9,019**	9,368
Salaries and Wages	**4,477**	4,305
Services	**2,747**	2,512
Pensions and Other Employee Future Benefits *(Note 6)*	**1,240**	1,157
Amortization of Tangible Capital Assets *(Note 9)*	**815**	801
Power Purchases	**803**	840
Supplies and Equipment	**794**	726
Employee Benefits	**573**	560
Transportation and Communication	**445**	419
Increase in Net Assets of Broader Public Sector Organizations *(Note 2, Schedule 9)*	**(449)**	–
Other	**827**	678
Total Expenses	**83,927**	79,396

Province of Ontario

Schedule 3: Expenses by Ministry

For the year ended March 31 ($ Millions)	Budget[1] 2006	Actual 2006	Actual 2005
Agriculture, Food and Rural Affairs	876	**1,147**	1,400
Attorney General	1,273	**1,291**	1,209
Board of Internal Economy	167	**150**	145
Children and Youth Services	3,305	**3,330**	2,851
Citizenship and Immigration	76	**93**	64
Community and Social Services	6,639	**6,737**	6,379
Community Safety and Correctional Services	1,800	**1,767**	1,749
Culture	390	**475**	344
Democratic Renewal Secretariat	4	**2**	2
Economic Development and Trade	450	**202**	84
Education	11,350	**418**	10,619
School Boards *(Note 2, Schedule 9)*	—	**10,886**	—
Teachers' Pension *(Note 6)*	290	**295**	240
Energy	200	**207**	194
Environment	327	**275**	307
Executive Offices	19	**19**	19
Finance	1,741	**1,748**	1,926
Contingency Fund	557	—	—
Interest on Debt	9,796	**9,019**	9,368
Power Purchases	961	**803**	840
Government Services	674	**562**	898
Public Service/OPSEU Pension and Other Employee Future Benefits *(Note 6)*	514	**729**	458
Health and Long-Term Care	33,058	**17,722**	31,331
Hospitals *(Note 2, Schedule 9)*	—	**14,816**	—
Health Promotion	304	**296**	241
Intergovernmental Affairs	8	**10**	13
Labour	146	**141**	129
Municipal Affairs and Housing	774	**928**	772
Natural Resources	546	**632**	563
Northern Development and Mines	671	**337**	320
Office of Francophone Affairs	4	**4**	3
Public Infrastructure Renewal	92	**107**	41
Capital Contingency Plan	175	—	—
Research and Innovation	323	**370**	263
Secretariat for Aboriginal Affairs	17	**50**	21
Tourism	179	**210**	167
Training, Colleges and Universities	4,819	**3,529**	4,605
Colleges *(Note 2, Schedule 9)*	—	**1,185**	—
Transportation	1,458	**3,435**	1,831
Year-End Savings[2]	(500)	—	—
Total Expenses	83,483	**83,927**	79,396

[1] Amounts reported in 2005 Budget, which exclude the impact of consolidation of broader public sector organizations.
[2] For Budget purposes, these items were not allocated to individual ministries.

Province of Ontario

Schedule 4: Accounts Payable and Accrued Liabilities

As at March 31 ($ Millions)	2006	2005
Transfer Payments	5,296	5,417
Interest on Debt	4,313	4,066
Liability for CRA[1] Overpayment	1,064	1,197
Salaries, Wages and Benefits	416	421
Restructuring	200	360
Obligations Under Capital Leases	50	68
Other	1,933	2,100
Total Accounts Payable and Accrued Liabilities	**13,272**	13,629

[1] CRA – Canada Revenue Agency

Province of Ontario

Schedule 5: Accounts Receivable

As at March 31 ($ Millions)	2006	2005
Taxes	5,045	4,721
Transfer Payments[1]	945	942
Other Accounts Receivable	1,015	1,071
	7,005	6,734
Less: Provision for Doubtful Accounts[2]	(1,662)	(1,579)
	5,343	5,155
Government of Canada	1,104	1,009
Total Accounts Receivable	**6,447**	6,164

[1] The transfer payment receivable consists primarily of recoverables of $838 million (2005, $818 million) for the Ontario Disability Support Program – Financial Assistance.

[2] The provision for doubtful accounts includes a provision of $770 million (2005, $750 million) for the Ontario Disability Support Program – Financial Assistance.

Province of Ontario

Schedule 6: Loans Receivable

As at March 31 ($ Millions)	2006	2005
Government Business Enterprises and Trusts[1]	**5,137**	4,959
Municipalities[2]	**1,172**	704
Students[3]	**1,146**	1,147
Pension Benefit Guarantee Fund[4]	**308**	319
Industrial and Commercial[5]	**274**	190
Universities[6]	**165**	162
School Boards and Colleges[7]	**110**	167
Other	**44**	48
	8,356	7,696
Unamortized Concession Discounts	**(283)**	(242)
Allowance for Doubtful Accounts	**(1,222)**	(1,090)
Total Loans Receivable	**6,851**	6,364

1 Loans to Government Business Enterprises bear interest at rates of 2.99% to 6.65%.
2 Loans to Municipalities bear interest at rates up to 7.38%.
3 Loans to Students bear interest at rates of 4.25% to 5%.
4 The loan to the Pension Benefit Guarantee Fund is interest free.
5 Loans to industrial and commercial enterprises bear interest at rates up to 11.25% and include forgivable loans totalling $19.3 million (2005: $19.3 million) which are fully provided for in the Allowance for Doubtful Accounts.
6 Loans to Universities are mortgages bearing interest at rates of 5.875% to 10.81%.
7 Loans to School Boards and Colleges bear interest at rates of 7.25% to 11.04%.

Repayment terms are as follows:

Year ended March 31	Principal Repayment
2007	1,885
2008	722
2009	690
2010	879
2011	742
	4,918
2012–2016	1,052
2017–2021	197
2022–2026	161
2027–2031	60
2032 and thereafter	120
	6,508
No fixed maturity	1,848
	8,356

Province of Ontario

Schedule 7: Government Organizations

Government Business Enterprises[1]	Responsible Ministry
Algonquin Forestry Authority (AFA)	Natural Resources
Hydro One Inc. (HOI)	Energy
Liquor Control Board of Ontario (LCBO)	Public Infrastructure Renewal
Niagara Parks Commission (NPC)	Tourism
Ontario Clean Water Agency (OCWA)	Environment
Ontario Lottery and Gaming Corporation (OLGC)	Public Infrastructure Renewal
Ontario Northland Transportation Commission (ONTC)	Northern Development and Mines
Ontario Power Generation Inc. (OPG)	Energy

Provincial Agencies[1]	Responsible Ministry
Agricorp	Agriculture, Food and Rural Affairs
Cancer Care Ontario	Health and Long-Term Care
Education Quality and Accountability Office	Education
Independent Electricity System Operator	Energy
Infrastructure Ontario[2]	Public Infrastructure Renewal
GO Transit (Toronto Area Transit Operating Authority and Greater Toronto Transit Authority)	Transportation
Legal Aid Ontario	Attorney General
Metropolitan Toronto Convention Centre	Tourism
Northern Ontario Heritage Fund Corporation	Northern Development and Mines
Ontario Educational Communications Authority	Education
Ontario Electricity Financial Corporation	Finance
Ontario Energy Board	Energy
Ontario Financing Authority	Finance
Ontario Housing Corporation	Municipal Affairs and Housing
Ontario Immigrant Investor Corporation	Economic Development and Trade
Ontario Strategic Infrastructure Financing Authority	Public Infrastructure Renewal
Ontario Place Corporation	Tourism
Ontario Power Authority	Energy
Ontario Racing Commission	Government Services
Ontario Realty Corporation	Public Infrastructure Renewal
Ontario Science Centre	Culture
Ontario Securities Commission	Finance
Ontario Tourism Marketing Partnership Corporation	Tourism
Ontario Trillium Foundation	Culture
Royal Ontario Museum	Culture
Smart Systems for Health Agency	Health and Long-Term Care
Toronto Waterfront Revitalization Corporation[2]	Public Infrastructure Renewal

1 The most recent audited financial statements of these organizations are reproduced in Volume 2, Public Accounts of Ontario.
2 The organization met the criteria for consolidation in fiscal year 2005–2006.

Province of Ontario
Schedule 7: Government Organizations

Broader Public Sector Organizations

Public Hospitals – Ministry of Health and Long-Term Care

Lennox and Addington County General Hospital
Four Counties Health Services
Stevenson Memorial Hospital
Almonte General Hospital
Arnprior and District Memorial Hospital
Atikokan General Hospital
Royal Victoria Hospital of Barrie Inc.
Blind River District Health Centre
West Park Healthcare Centre
South Muskoka Memorial Hospital
Brantford General Hospital
Brockville General Hospital
Brockville Providence CCC
Campbellford Memorial Hospital
Carleton Place and District Memorial Hospital
Hornepayne Community Hospital
Alexandra Hospital
Anson General Hospital
Lady Dunn Health Centre
Sensenbrenner Hospital
Religious Hospitallers of St. Joseph of the Hotel Dieu of Kingston
Kingston General Hospital
Kingston Providence CCC
Kirkland and District Hospital
St. Mary's General Hospital
York Central Hospital
Leamington District Memorial Hospital
Ross Memorial Hospital
Joseph Brant Memorial Hospital
Manitouwadge General Hospital
Wilson Memorial General Hospital
Bingham Memorial Hospital
Mattawa General Hospital
Huronia District Hospital
Credit Valley Hospital
Kemptville District Hospital
West Haldimand General Hospital
Southlake Regional Health Centre
Nipigon District Memorial Hospital
Orillia Soldiers' Memorial Hospital
Children's Hospital of Eastern Ontario
Hôpital Montfort
Willett Hospital
Pembroke Regional Hospital
Services de santé de Chapleau Health Services
Public General Hospital Campus, Chatham-Kent Health Alliance
St. Joseph's Hospital Campus, Chatham-Kent Health Alliance
North York General Hospital
Clinton Public Hospital
Lady Minto Hospital
Collingwood General and Marine Hospital
Religious Hospitallers of St. Joseph Health Centre of Cornwall Hotel Dieu
Deep River and District Hospital Corporation
Dryden Regional Health Centre
Haldimand War Memorial Hospital
St. Joseph's General Hospital
Englehart and District Hospital
Espanola General Hospital
South Huron Hospital Association
Groves Memorial Community Hospital
Cambridge Memorial Hospital
Geraldton District Hospital
Alexandra Marine & General Hospital
West Lincoln Memorial Hospital
Guelph General Hospital
St. Joseph's Health Centre
St. Joseph's Healthcare Hamilton
St. Peter's Hospital
Hanover & District Hospital
Hôpital Notre Dame Hospital
Listowel Memorial Hospital
St. Joseph's Health Care, London
Hawkesbury and District General Hospital
Seaforth Community Hospital
Glengarry Memorial Hospital
Norfolk General Hospital
Smooth Rock Falls Hospital
Stratford General Hospital
Strathroy Middlesex General Hospital
McCausland Hospital
Tillsonburg District Memorial Hospital
Lake of the Woods District Hospital
Baycrest Centre for Geriatric Care
Hospital for Sick Children
Mount Sinai Hospital
Bridgepoint Hospital
Runnymede Healthcare Centre
St. Michael's Hospital

Province of Ontario

Schedule 7: Government Organizations

Public Hospitals – Ministry of Health and Long-Term Care (cont'd)

Penetanguishene General Hospital
St. Francis Memorial Hospital
Peterborough Regional Health Centre
Providence Healthcare
Queensway-Carleton Hospital
St. Joseph's Care Group
Manitoulin Health Centre
Renfrew Victoria Hospital
Hotel Dieu Health Sciences Hospital, Niagara
Winchester District Memorial Hospital
Temiskaming Hospital
Wingham and District Hospital
Woodstock General Hospital
Red Lake Margaret Cochenour Memorial Hospital
St. Joseph's Health Centre
Riverside Health Care Facilities Inc.
Huntsville District Memorial Hospital
Markham Stouffville Hospital
North Bay General Hospital
Timmins and District Hospital
Humber River Regional Hospital
Hamilton Health Sciences Corporation
South Bruce Grey Health Centre
University Health Network
Trillium Health Centre
Halton Healthcare Services Corporation
Quinte Healthcare Corporation
Ottawa Hospital
Hôpital régional de Sudbury Regional Hospital
Scarborough Hospital
University of Ottawa Heart Institute
Niagara Health System
Salvation Army Toronto Grace Hospital
Toronto East General Hospital
James Bay General Hospital
Sydenham District Hospital - Chatham-Kent Health Alliance
St. John's Rehabilitation Hospital
West Nipissing General Hospital
St. Marys Memorial Hospital
St. Thomas - Elgin General Hospital
Casey House Hospice
Headwaters Health Care Centre
Hotel-Dieu Grace Hospital
Perth and Smiths Falls District Hospital
Grand River Hospital
West Parry Sound Health Centre
Sisters of Charity of Ottawa Hospital
Windsor Regional Hospital
Thunder Bay Regional Health Sciences Centre
London Health Sciences Centre
Haliburton Highlands Health Services Corporation
Bloorview MacMillan Centre
Northumberland Hills Hospital
William Osler Health Centre
Lakeridge Health Corporation
Sunnybrook & Women's College Health Sciences Centre
Rouge Valley Health System
Grey Bruce Health Services
Toronto Rehabilitation Institute
Sioux Lookout Meno-Ya-Win Health Centre
Sault Area Hospital
Bluewater Health
Cornwall Community Hospital
North Wellington Health Care Corporation (Louise Marshall)

Specialty Psychiatric Hospitals - Ministry of Health and Long-Term Care

Royal Ottawa Health Care Group
Northeast Mental Health Centre
Centre for Addiction and Mental Health
Whitby Mental Health Centre

School Boards – Ministry of Education

Airy and Sabine District School Area Board
Algoma District School Board
Algonquin and Lakeshore Catholic District School Board
Asquith-Garvey District School Area Board
Atikokan Roman Catholic Separate School Board
Avon Maitland District School Board
Bloorview MacMillan School Authority
Bluewater District School Board
Huron-Perth Catholic District School Board
Huron-Superior Catholic District School Board
Ignace Roman Catholic Separate School Board
James Bay Lowlands Secondary School Board
Kawartha Pine Ridge District School Board
Keewatin-Patricia District School Board
Kenora Catholic District School Board
KidsAbility School Authority

Province of Ontario
Schedule 7: Government Organizations

School Boards – Ministry of Education (cont'd)

Brant Haldimand Norfolk Catholic District School Board
Bruce-Grey Catholic District School Board
Campbell Children's School Authority
Caramat District School Area Board
Catholic District School Board of Eastern Ontario
Collins District School Area Board
Connell and Ponsford District School Area Board
Conseil des écoles publiques de l'Est de l'Ontario
Conseil scolaire de district catholique Centre-Sud
Conseil scolaire de district catholique de l'Est ontarien
Conseil scolaire de district catholique des Aurores boréales
Conseil scolaire de district catholique des Grandes Rivières
Conseil scolaire de district catholique du Centre-Est de l'Ontario
Conseil scolaire de district catholique du Nouvel-Ontario
Conseil scolaire de district catholique Franco-Nord
Conseil scolaire de district des écoles catholiques du Sud-Ouest
Conseil scolaire de district du Centre Sud-Ouest
Conseil scolaire de district du Grand Nord de l'Ontario
Conseil scolaire de district du Nord-Est de l'Ontario
District School Board of Niagara
District School Board Ontario North East
Dubreuilville Roman Catholic Separate School Board
Dufferin-Peel Catholic District School Board
Durham Catholic District School Board
Durham District School Board
Essex County Children's Rehabilitation Centre School Authority
Foleyet District School Area Board
Foleyet Roman Catholic Separate School Board
Gogama District School Area Board
Gogama Roman Catholic Separate School Board
Grand Erie District School Board
Greater Essex County District School Board
Halton Catholic District School Board
Halton District School Board
Hamilton-Wentworth Catholic District School Board
Hamilton-Wentworth District School Board
Hastings and Prince Edward District School Board
Hornepayne Roman Catholic Separate School Board
Thunder Bay Catholic District School Board
Toronto Catholic District School Board
Toronto District School Board
Trillium Lakelands District School Board
Upper Canada District School Board
Upper Grand District School Board
Upsala District School Area Board
Lakehead District School Board
Lambton Kent District School Board
Limestone District School Board
London District Catholic School Board
Mine Centre District School Area Board
Missarenda District School Area Board
Moose Factory Island District School Area Board
Peterborough Victoria Northumberland and Clarington Catholic District School Board
Moosonee Roman Catholic Separate School Board
Murchison and Lyell District School Area Board
Nakina District School Area Board
Near North District School Board
Niagara Catholic District School Board
Niagara Peninsula Children's Centre School Authority
Nipissing-Parry Sound Catholic District School Board
Northeastern Catholic District School Board
Northern District School Area Board
Northwest Catholic District School Board
Ottawa Children's Treatment Centre School Authority
Ottawa-Carleton Catholic District School Board
Ottawa-Carleton District School Board
Parry Sound Roman Catholic Separate School Board
Peel District School Board
Penetanguishene Protestant Separate School Board
Moosonee District School Area Board
Rainbow District School Board
Rainy River District School Board
Red Lake Area Combined Roman Catholic Separate School Board
Renfrew County Catholic District School Board
Renfrew County District School Board
Simcoe County District School Board
Simcoe Muskoka Catholic District School Board
St. Clair Catholic District School Board
Sudbury Catholic District School Board
Summer Beaver District School Area Board
Superior North Catholic District School Board
Superior-Greenstone District School Board
Thames Valley District School Board
Waterloo Catholic District School Board
Waterloo Region District School Board
Wellington Catholic District School Board
Windsor-Essex Catholic District School Board
York Region District School Board
York Catholic District School Board

Province of Ontario

Schedule 7: Government Organizations

Colleges – Ministry of Training, Colleges and Universities

Algonquin College of Applied Arts and Technology
Cambrian College of Applied Arts and Technology
Canadore College
Centennial College of Applied Arts and Technology
Collège Boréal
Conestoga College of Applied Arts and Technology
Confederation College
Durham College
Fanshawe College of Applied Arts and Technology
George Brown College of Applied Arts and Technology
Georgian College of Applied Arts and Technology
Humber College Institute of Technology and Advanced Learning
La Cité collégiale
Lambton College of Applied Arts and Technology
Loyalist College of Applied Arts and Technology
Mohawk College of Applied Arts and Technology
Niagara College of Applied Arts and Technology
Northern College of Applied Arts and Technology
Sault College of Applied Arts and Technology
Seneca College of Applied Arts and Technology
Sheridan College of Applied Arts and Technology
Sir Sanford Fleming College
St. Clair College of Applied Arts and Technology
St. Lawrence College of Applied Arts and Technology

Province of Ontario

Schedule 8: Government Business Enterprises

Summary financial information of Government Business Enterprises is provided below.[1]

For the year ended March 31, 2006 ($ Millions)	Algonquin Forestry Authority	Hydro One Inc.	Liquor Control Board of Ontario	Niagara Parks Commission
Assets				
Cash and Temporary Investments	3	119	101	–
Accounts Receivable	4	736	24	–
Inventories	–	62	284	6
Prepaid Expenses	–	–	13	–
Long-Term Investments	–	–	–	–
Fixed Assets	1	10,197	228	131
Other Assets	3	1,015	—	—
Total Assets	11	12,129	650	137
Liabilities				
Bank Indebtedness	–	10	–	8
Accounts Payable	1	710	326	5
Deferred Revenue	–	–	–	–
Long-Term Debt	–	5,367	41	3
Other Liabilities	1	1,333	–	3
Total Liabilities	2	7,420	367	19
Net Assets	9	4,709	283	118
Revenue	28	4,382	3,683	80
Expenses	28	3,878	2,486	78
Net Income (Loss)	–	**504**	**1,197**	**2**
Net Assets — Beginning of Year	9	4,566	286	116
Payments from (to) CRF	–	(361)	(1,200)	–
Net Assets	**9**	**4,709**	**283**	**118**

[1] The information in this table represents unaudited results of Government Business Enterprises for the year ended March 31, 2006.

Province of Ontario

Schedule 8: Government Business Enterprises

Ontario Clean Water Agency	Ontario Lottery and Gaming Commission	Ontario Northland Transportation Commission	Ontario Power Generation Inc.	Total
34	760	–	919	1,936
17	46	21	397	1,245
–	–	18	680	1,050
2	57	1	–	73
9	–	–	–	9
5	2,294	266	11,351	24,473
125	88	92	8,236	9,559
192	3,245	398	21,583	38,345
–	–	22	–	40
12	392	29	900	2,375
–	17	7	153	177
–	642	29	3,594	9,676
9	150	61	11,350	12,907
21	1,201	148	15,997	25,175
171	2,044	250	5,536	13,170
113	6,090	134	5,948	20,458
132	4,063	140	5,345	16,150
(19)	**2,027**	**(6)**	**603**	**4,308**
191	1,842	250	4,983	12,243
(1)	(1,825)	6	–	(3,381)
171	**2,044**	**250**	**5,586**	**13,170**

Algonquin Forestry Authority (AFA)

The Algonquin Forestry Authority is responsible for forest management in Algonquin Park.

Hydro One Inc. (HOI)

The principal business of Hydro One is the transmission and distribution of electricity to customers within Ontario. It is regulated by the Ontario Energy Board.

Liquor Control Board of Ontario (LCBO)

The Liquor Control Board of Ontario regulates the purchase, sale and distribution of liquor for home consumption and liquor sales to licensed establishments through Liquor Control Board stores, Brewers' Retail stores and winery retail stores throughout Ontario. The Board buys wine and liquor products for resale to the public and tests all products sold to the public to maintain high standards of quality. The Board also establishes prices for beer, wine and spirits.

Niagara Parks Commission (NPC)

The Commission maintains, preserves and enhances the beauty and surroundings of the Horseshoe Falls and the Niagara River from Fort Erie to Niagara-on-the-Lake.

Ontario Clean Water Agency (OCWA)

The Agency assists municipalities in providing more cost-effective water and sewage services and encourages Ontario residents, municipalities and industries to conserve water. The Agency also finances, builds and operates water and sewage systems, as well as providing services to communities, all on a cost-recovery basis.

Ontario Lottery and Gaming Corporation (OLGC)

Under the Ontario Lottery and Gaming Corporation Act, 1999, the Corporation conducts lottery games and operates commercial casinos, charity casinos, and slot machines at 15 Ontario racetracks.

Ontario Northland Transportation Commission (ONTC)

The Commission provides rail, bus, ferry, air and telecommunications services to Northern Ontario.

Ontario Power Generation Inc. (OPG)

The principal business of Ontario Power Generation Inc. is the generation and sale of electricity in the Ontario wholesale market and in the interconnected markets of Quebec, Manitoba and the United States northeast and midwest.

Province of Ontario

Schedule 9: Broader Public Sector Organizations

Summary financial information of Broader Public Sector Organizations is provided below.

For the year ended March 31, 2006[1] ($ Millions)	Hospitals	School Boards	Colleges	Total
Expense				
Salaries, Wages and Benefits	11,606	13,613	1,382	26,601
Bursaries, Student Aid and Other Grants	–	–	72	72
Interest Expense	56	297	41	394
Amortization Expense	727	419	145	1,291
Other	5,086	3,788	741	9,615
Total Expenses	17,475	18,117	2,381	37,973
Revenue				
School Property Taxes	–	6,080	–	6,080
Fees, Donations and Other Primary	922	395	1,004	2,321
Interest and Investment Income	23	69	12	104
Other	1,714	687	180	2,581
Total Revenue	2,659	7,231	1,196	11,086
Net Expenses	**14,816**	**10,886**	**1,185**	**26,887**
Transfers from the Province	15,275	10,798	1,263	27,336
Increase/(Decrease) in Net Assets of Broader Public Sector	**459**	**(88)**	**78**	**449**
Net Assets – Beginning of Year	7,293	7,428	1,569	16,290
Net Assets	7,752	7,340	1,647	**16,739**
Financial Assets	4,576	2,818	797	8,191
Liabilities	7,644	9,954	1,367	18,965
Net Debt	3,068	7,136	570	10,774
Tangible Capital Assets	10,820	14,476	2,217	27,513
Net Assets	**7,752**	**7,340**	**1,647**	**16,739**

1 Amounts reported include consolidation adjustments made to eliminate significant inter-organizational gains and losses, to record tangible capital assets for school boards, and to conform school boards to the Province's fiscal year.

Sources of Additional Information

The Ontario Budget

The Ontario government presents a Budget each year, usually in the early spring. This document outlines expected expense and revenue for the upcoming fiscal year. For an electronic copy of the Ontario Budget, visit the Ministry of Finance website at www.fin.gov.on.ca.

The Estimates of the Province of Ontario

The government's spending Estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each ministry and are submitted for approval to the Legislative Assembly, per the Supply Act.

Ontario Finances

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing to the Ministry of Finance, Communications and Corporate Affairs Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to: www.fin.gov.on.ca.

Ontario Economic Accounts

This quarterly report contains data on Ontario's economic activity. Copies may be obtained free by writing to the Ministry of Finance, Communications and Corporate Affairs Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access, go to: www.fin.gov.on.ca.

Please address your comments on this report to :

The Honourable Greg Sorbara
Minister of Finance
7th Floor
Frost Building South
7 Queen's Park Crescent
Toronto, Ontario
M7A 1Y7

You can also send your comments to the Minister by
electronic mail to:
annualreport@fin.gov.on.ca

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